

AUDITS, WORKING WITH INDIGENOUS COMMUNITIES AND KEY UPDATES IN CHARITY & NOT-FOR-PROFIT LAW

CHARITY & NOT-FOR-PROFIT LAW

Essential Trademark Issues for Charity and Not-for-Profit Lawyers
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**ESSENTIAL TRADEMARK ISSUES
FOR CHARITY AND NOT-FOR-PROFIT
LAWYERS**

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*By Terrance S. Carter**

A. INTRODUCTION

For registered charities and other not-for-profit organizations (“not-for-profits”), their trademarks may be one of the most valuable assets that they own. As such, failure to protect such assets could have serious consequences for the directors of those organizations as well as for the organizations themselves. For instance, with regard to charities, the common law places a high fiduciary duty on directors to act as trustee-like stewards of the charitable property entrusted to them and to take reasonable steps to protect those assets.¹ For this reason, it is important that directors of charities, as well as not-for-profits, understand the appropriate steps that are involved in protecting the organization’s trademarks. To avoid the situation where a charity or not-for-profit is precluded from addressing an intellectual property challenge because the appropriate steps were not taken in a timely manner, it is important for a lawyer when initially consulting with a charity or not-for-profit to identify

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¹ See, for example, *Victoria Order of Nurses for Canada v Greater Hamilton Wellness Foundation*, 2011 ONSC 5684, [2011] OJ No 4938 (Ont Sup Ct J); *Ontario Society for the Prevention of Cruelty to Animals v Toronto Humane Society*, 2010 ONSC 608, [2010] OJ No 279 (Ont Sup Ct J). For further information, see also Kenneth Goodman, “Fiduciary Considerations Involving Charitable Property” (Presentation delivered at The Ottawa Region Charity & Not-for-Profit Law Seminar, 16 February 2011), online: Carters Professional Corporation <<http://www.carters.ca/pub/seminar/chrchlaw/ott/11/kg0216.pdf>>. See also Eilís Ferran, *The Principles of Corporate Finance Law* (Oxford: Oxford University Press, 2008) at 223.

and then suggest taking proactive steps to managing legal risks with regard to the organization's trademarks and related branding issues.²

In this regard, it is important that the lawyers who advise charities and not-for-profits understand the basic principles of trademark law. Often, it is the normal legal counsel that a charity or not-for-profit consults who has a relationship with the organization, and not intellectual property lawyers. It is for that reason that charity and not-for-profit lawyers should be diligent in being aware of and spotting trademark and other intellectual property issues and bringing them to the client's attention as necessary. If legal counsel for these organizations can identify that an issue needs to be addressed, the lawyer can then refer the client to a trademark agent or trademark lawyer who can give more detailed legal advice on the specific matter in question as necessary while at the same time remaining involved in a general counsel role for the charity or not-for-profit. This paper is therefore intended to provide a brief overview of issues related to trademarks and related branding issues that charity and not-for-profit lawyers should be aware of as a reference tool in their practice.

B. PROTECTING THE CORPORATION'S TRADEMARKS

A charity or not-for-profit's trademark is important for several reasons. First, the trademark constitutes the goodwill of an organization and provides a focal point for donations, enhances the reputation of the charity or not-for-profit, and aids in developing future expansions of its activities. For example, strong brand recognition can play a vital role in a charity or not-for-profit's ability to bring in new donors while retaining existing supporters. Second, the trademark distinguishes one organization from another and therefore helps to prevent public confusion. This can be important in ensuring donations are not inadvertently provided to a like-minded organization with a similar trademark, or a non-affiliated entity. Third, trademarks have present and future marketing value in relation to the sale of items associated with charities and not-for-profits. Lastly, trademark licensing (*e.g.*, sponsorship agreements, fundraising agreements, cause-related marketing agreements) can potentially be a very lucrative way to create value from trademarks, both internationally and locally. For example, if a company is looking to work with a charity or

² Terrance S Carter, "Avoiding Wasting Assets II – Trade-mark and Domain Name Protection for Charities" (The 2nd National Symposium on Charity Law, Toronto, 14 April 2004) at 3-4, online: Carters Professional Corporation <<http://www.carters.ca/pub/article/charity/2004/tsc0414.pdf>> [Carter, "Avoiding Wasting Assets II"].

not-for-profit in the context of cause-related marketing, the company will often look for organizations that have a strong brand presence.

For these reasons, an organization's trademarks, as part of its branding, need to be vigilantly protected.³

1. Identifying the Trademarks

Canada's trademark regime underwent significant changes on June 17, 2019.⁴ Under the amended *Trademarks Act*, the definition of "trademark" is now "(a) a sign or combination of signs that is used or proposed to be used by a person for the purpose of distinguishing or so as to distinguish their goods or services from those of others, or (b) a certification mark."⁵ The *Trademarks Act* defines "sign", as follows: "sign includes a word, a personal name, a design, a letter, a numeral, a colour, a figurative element, a three-dimensional shape, a hologram, a moving image, a mode of packaging goods, a sound, a scent, a taste, a texture and the positioning of a sign."⁶ A trademark can consist of a single word, combination of words, logo or symbol, slogan, or sound.

The purpose of a trademark is to associate the goods or services with a single source, and for that reason a trademark must be distinctive.⁷ It is also possible to have more than one trademark used in combination, such as a word trademark that is used along with a logo. For example, a charity or not-for-profit may use both its name and its logo together.

While most charities and not-for-profits do not manufacture or sell goods, they normally will engage in some sort of service and as such would usually be able to fulfil the definition of "trademark" under the *Trademarks Act*. While trademarks have automatic protection through the common law, they can receive additional enhanced protection through registration under the *Trademarks Act*. Some examples of common trademarks used in

³ *Ibid* at 7-8.

⁴ RSC, 1985, c T-13 ["*Trademarks Act*"].

⁵ *Ibid*, s 2.

⁶ *Ibid*.

⁷ Bayo Odutola & Sylvie-Émanuelle Bourbonnais, *Odutola on Canadian Trade-mark Practice*, loose-leaf (Toronto: Carswell, 2006) (WLeC).

conjunction with the operations of a charity or not-for-profit include the full name (or portion of a name) of the charity or not-for-profit; a logo; an emblem or crest; and a slogan.

The *Trademarks Act* governs the registrability of trademarks and outlines the restrictions on registration. When selecting and filing a trademark registration, it is important to consider its distinctiveness.⁸ Distinctiveness is a fundamental requirement for a trademark registration under Canadian trademark law and the inherent distinctiveness of a mark falls on a spectrum depending upon how generic to how distinctive a mark is and directly impacts the scope of protection afforded to a trademark.⁹ Additionally, a brief selection of examples of trademarks that cannot be registered includes a word that is “primarily merely the name or the surname of an individual who is living or has died within the preceding thirty years”;¹⁰ a word that is “clearly descriptive or deceptively misdescriptive ... of the character or quality of the goods or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their production or of their place of origin”;¹¹ a word that is “the name in any language of any of the goods or services in connection with which it is used or proposed to be used”;¹² or a mark that is scandalous, obscene or immoral.¹³

2. Trademark Searches

In most instances, conducting a trademark search is an important first step to any trademark application or the launching of a new brand. Even if an organization does not intend to register a trademark, a trademark search should be conducted.

There are different types of searches, such as a preliminary search of identical previously filed trademarks contained in the Canadian Intellectual Property Office’s (“CIPO”)

⁸ *Ibid*, s 32(1)(b).

⁹ *Veuve Clicquot Ponsardin v Boutique Cliquot Ltée*, [2003] FCJ No 148 at paras 57-58, 2003 FCT 103 (FCTD).

¹⁰ *Trademarks Act*, *supra* note 4, s 12(1)(a).

¹¹ *Trademarks Act*, *supra* note 4, s 12(1)(b).

¹² *Ibid*, s 12(1)(c).

¹³ Canadian Intellectual Property Office, “Trademarks Examination Manual”, online: Government of Canada <https://s3.ca-central-1.amazonaws.com/manuels-manuals-opic-cipo/TEM_En.html>, s 4.7.6.

Trademarks Database¹⁴, a search of all confusingly similar previously filed trademarks on the Trademarks Database, and a more comprehensive form of a search for unregistered (*i.e.*, common law) trademarks and names being used in Canada, including a search of NUANS¹⁵ for corporate names, business name searches, trade journals, yellow pages, internet domain name searches, and a search of the list of registered charities maintained by the Charities Directorate of the Canada Revenue Agency.¹⁶

The importance of comprehensive trademark searches cannot be overstated. If there are third parties with previously registered or used confusingly similar trademarks, this reduces the trademark's distinctiveness. More importantly, the user of a previously used or registered confusingly similar mark may have acquired prior rights in the mark in Canada, and could oppose a trademark application, request that the organization stop using the mark, invalidate a trademark registration, and expose the organization to a risk of claims of passing off or infringement.

In assessing whether a trademark revealed by the search is confusingly similar, the analysis should be guided by the following factors as set out in subsection 5(5) *Trademarks Act*: (1) the inherent distinctiveness of the marks and the extent to which they have become known; (2) length of time the marks have been in use; (3) the nature of the goods, services or business; (4) the nature of the trade; and (5) the degree of resemblance between the marks, including in appearance or sound or in the ideas suggested by them.

3. Importance of Registering Trademarks

In Canada, a trademark does not need to be registered to be protectable since the common law confers some degree of protection for unregistered trademarks. However, registration

¹⁴ The Canadian Intellectual Property Office maintains a public, electronic inventory of all registered trademarks and pending applications. The search is free and can be completed online at: <<http://cipo.gc.ca>>. See also Canadian Intellectual Property Office, "Trademarks Guide" (14 June 2019), online: Government of Canada <http://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/h_wr02360.html>.

¹⁵ NUANS means Newly Upgraded Automated Name Search. For more information, see <<http://www.nuans.com>>.

¹⁶ Canada Revenue Agency, Charities Listings, online: <<https://apps.cra-arc.gc.ca/ebci/hacc/srch/pub/dsplyBscSrch>>.

of a trademark provides significant advantages to the trademark owner. Some of the key advantages to owning a registered trademark are discussed further below.

Registration of a trademark provides nationwide protection of the mark in association with the registered goods and services throughout Canada for 10 years, and is renewable every 10 years thereafter. On the other hand, the protection of a common law or unregistered trademark is restricted to the geographic area where the owner can prove the trademark has a sufficient reputation.

Registered trademark owners can sue for trademark infringement which is generally easier and less costly than suing for passing off. That is, although an unregistered trademark owner may be able to restrain a competitor from passing off its goods or services under the trademark of another, as discussed below, the common law passing off action is significantly more difficult to establish than an infringement action as it requires proving goodwill and damages.

Registration provides *prima facie* evidence of ownership of the trademark and provides a defence to an attack by a third party. Therefore, in a dispute, the challenger must prove that the registered owner does not actually have ownership. On the other hand, to enforce an unregistered trademark, the trademark owner must lead evidence to prove ownership of its unregistered trademark in court. This can lead to a lengthy, expensive legal dispute over who has the right to use the mark.¹⁷ Although there are no up-front costs associated with “owning” a common law trademark, costs associated with enforcing an unregistered trademark far exceed the costs associated with registering a trademark.

Registering a trademark also means that the trademark will be entered in Canada’s Register of Trademarks, which serves as public notice that the trademark is registered and that the owner of the trademark has exclusive rights to the mark. The trademark registration will therefore appear in subsequent trademark and corporate or business name searches if a third party tries to secure a confusingly similar mark or name. This is important, given that the Trademarks Office will only register trademarks that it does not consider confusingly

¹⁷ *Ibid.*

similar to another trademark. This also serves to deter others from using the trademark in corporate and/or business names.

Given the advantages to obtaining a trademark registration, it is worthwhile to navigate this process at the outset because it can save many headaches for the charity or not-for-profit organization down the road.¹⁸ Further, the costs associated with securing a trademark registration are far less than attempting to enforce or defend an unregistered common law trademark.

4. Filing for Registration of a Trademark

The actual preparing, filing and prosecuting of a trademark application is typically the responsibility of a trademark agent. While it is possible to prepare and file a trademark application without a trademark agent, it can be a lengthy and complex task, especially if a third party decides to challenge the application. For this reason, it is recommended that charities and not-for-profits hire a trademark agent or lawyer to prepare and file the applications.

Under the *Trademarks Act*, trademark registrations may be granted without any use of the trademark in Canada or abroad. However, trademark use is still extremely important. While registration can be obtained in the absence of use, trademark use is still a key factor in determining entitlement to trademarks, and in enforcement and opposition proceedings.¹⁹ In addition, if the trademark has been registered, it may face potential expungement after three years of registration if the trademark owner is unable to show use of the mark in the preceding three years.

A separate trademark application must be filed for each trademark, and all trademark applicants must classify the goods and services into one of 45 classes in accordance with the Nice Classification system.²⁰ The trademark application should be filed as soon as

¹⁸ Terrance S Carter and U Shen Goh, *Branding and Copyright for Charities and Non-profit Organizations*, 3rd ed (Toronto: LexisNexis, 2019) at 74.

¹⁹ See *Trademarks Act*, *supra* note 4, s 38.

²⁰ See Sepal Bonni, “Trademark Applicants Beware of Unexpected Government Fees” (August 2019) *Charity & NFP Update*, online: Carters Professional Corporation <<http://www.carters.ca/pub/update/charity/19/aug19.pdf#sb1>>.

possible after the charity or not-for-profit determines that it wishes to obtain the protection of a trademark registration. This is important because even though the first to use the trademark is technically the entitled owner of the trademark, the first party to file a trademark application gains a significant procedural and substantive advantage in securing rights under Canada's *Trademarks Act*. Under certain circumstances, it is crucial that the application be made as soon as possible, such as where there has already been a prior filing for the same mark in another country. In that case, the charity or not-for-profit may be able to obtain the benefit of the earlier filing date for the foreign application, which can become the *de facto* Canadian filing date if the Canadian application is filed within six months, which can be a very significant procedural advantage.²¹

A trademark is registered by filing an application for registration with CIPO's Office of the Registrar of Trademarks. It requires payment of an application fee for each class of goods and services in the application.²² If the application meets all of the formal requirements for filing, the applicant will receive a filing date and application number which is set out in the Filing Notice and proof sheet (listing the information on the application).²³

The second step in registering a trademark is the examination stage, where a trademark examiner at CIPO will review the application and decide whether the trademark is registrable in accordance with the *Trademarks Act* and can therefore be approved for advertisement in the *Trademarks Journal*.²⁴ If there are any doubts or problems with the application such as confusion with an existing trademark, the examiner will notify the applicant in an Office Action. The applicant will have the opportunity to respond to the examiner's concerns within six months of the date of the examiner's report.

²¹ Carter, "Avoiding Wasting Assets II", *supra* note 2 at 36.

²² In addition, if the examiner determines that the goods and services need to be classified into more Nice classes than identified in the application, the applicant would be required to pay additional fees for each class of good or service not previously identified, without being afforded the opportunity to remove those goods and services from the application.

²³ Canadian Intellectual Property Office, "How Your Trademark Application is Processed", online: Government of Canada <<http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/wr00035.html>> [CIPO, "How Your Trademark Application is Processed"].

²⁴ Canadian Intellectual Property Office, *Trademarks Journal*, online: Canadian Intellectual Property Office <<http://www.ic.gc.ca/opic-cipo/tmj/eng/home.html>>.

Once the application is approved for advertisement in the *Trademarks Journal*, the application will subsequently be published. The application can be opposed by anyone within two months of publication, and if so, it will be removed from the normal processing cycle until the opposition has been resolved.²⁵ Generally speaking, the applicant will have two months to serve and file a counter statement after receiving the Statement of Opposition from the opposing party.

If there is no opposition or if the opposition is resolved in the applicant's favour, no further challenges to the trademark will be allowed. The applicant will receive a Certificate of Registration and the trademark will be entered into the Register of Trademarks.²⁶ To maintain the registration, a renewal fee must be paid every 10 years.

5. Protecting Trademarks in Foreign Countries

It is important to note that registering a trademark in Canada protects it in Canada only. Trademarks are national in scope and only receive protection for the country in which they are registered. If a charity or not-for-profit is using or planning to use the trademark in other countries, it should be advised to register in each of those countries as well. In order to do this, various international agreements can help streamline the process of registering trademarks through a centralized system.

Depending on whether the foreign country is a signatory to the *Paris Convention for the Protection of Industrial Property* (“*Paris Convention*”),²⁷ a charity or not-for-profit may wish to file a trademark application in the foreign country within six months of filing the application in Canada. This is an important advantage if a charity or not-for-profit wishes to expand into another country but has not yet been able to establish use or apply for trademark registration in the foreign jurisdiction. In this regard, filing a trademark application in the foreign country within six months of filing the application in Canada can

²⁵ CIPO, “How Your Trademark Application is Processed”, *supra* note 23.

²⁶ Canadian Intellectual Property Office, “IP Roadmap – Your path to trademark registration”, online: Government of Canada <http://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/wr04355.html?Open&wt_src=cipo-tm-main>.

²⁷ Adopted in Paris on 20 March 1883, last revised by the Paris Union on 28 September 1979, 828 UNTS 305, 21 UST 1583.

entitle the charity or not-for-profit to claim the earlier filing date established in Canada as the filing date in the foreign country which is a significant procedural advantage.²⁸

Similarly, Canada is also a member of the *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks* (“*Madrid Protocol*”),²⁹ which creates an international system for registering trademarks by allowing applicants in member countries to register their marks in multiple foreign jurisdictions by filing a single application through the intellectual property office of their home country. For charities and not-for-profits that operate outside of Canada, the ability to register marks under the *Madrid Protocol* may be of significant benefit and can potentially result in substantial cost savings as compared to individually filing for protection of trademarks on a country-by-country basis.³⁰

It is crucial that charities and not-for-profits that conduct foreign activities turn their mind to protection of trademarks abroad as soon as possible. The failure to protect trademarks can expose a charity or not-for-profit to liability where the action or omission of an intermediary or other third party is committed under the identity of the trademark belonging to the Canadian charity. All trademarks should be owned by the charity or not-for-profit’s office in Canada, assuming of course that the Canadian charity or not-for-profit is the entity that is legally entitled to worldwide trademark protection. The charity or not-for-profit would then control the trademark (and the activities of the foreign intermediary), through an agreement in which the right to use the trademark is granted under license. Additional factors to consider with regard to obtaining trademark protection in other countries include the following:

- i. By registering its trademarks, the charity or not-for-profit can better assess which trademarks the charity or not-for-profit has in order to monitor and plan a strategy for their use in foreign jurisdictions;

²⁸ *Ibid*, arts 4A(1) and 4C(1).

²⁹ World Intellectual Property Organization, *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks* (as amended on November 12, 2007), TRT/MADRIDP-GP/001, online: <<https://wipolex.wipo.int/en/text/283483>>.

³⁰ *Ibid*, art 2(1).

- ii. The charity or not-for-profit can maintain the uniformity of the trademarks and prevent intermediaries from taking inconsistent or contradictory stands before different offices or courts, particularly regarding which entity is the legal owner of a trademark in each country;
- iii. The charity or not-for-profit can make a stronger case for trademark rights if it can show uniform ownership of the trademarks throughout the world; and
- iv. The charity may consider setting up a parallel foundation, separate and distinct from the Canadian charity, to hold ownership of the trademarks on a worldwide basis in order to better control and administer them.

With regard to monitoring the unauthorized use and registration of the charity or not-for-profit's trademarks in foreign countries, the charity or not-for-profit may want to consider enlisting watching services from companies which specialize in keeping track of trademarks internationally, or the board of directors could encourage their employees to document and report potential abuse of the charity or not-for-profit's trademarks.³¹ Other strategies for monitoring and enforcing of trademark rights are discussed in more detail below. Further, as a signatory to the *Paris Convention*, as well as the *Agreement on Trade-Related Aspects of Intellectual Property Rights* ("TRIPs"), a charity or not-for-profit can to some extent enforce its rights with respect to trademarks through international agreements. However, a discussion of international enforcement is beyond the scope of this paper.³²

6. Enforcing Trademarks

As mentioned previously, since trademarks can be among the most important and valuable assets that a charity or not-for-profit can own, they should therefore be vigorously guarded and protected by organizations. Charities and not-for-profits need to realize that the value

³¹ See Sepal Bonni, "Trademark Amendments In Force: What To Do Now" (June 2019) Charity & NFP Update, online: Carters Professional Corporation <<http://www.carters.ca/pub/update/charity/19/jun19.pdf>>.

³² For further details on international enforcement, see Burke-Robertson, Carter & Man, *Corporate and Practice Manual for Charities and Not-For-Profit Corporations* (Toronto: Thomson Reuters, 2013) (loose-leaf updated 2019, release 2019-9), chs 12, 13.

of their trademarks can be significantly reduced or eliminated as a result of the organization's action or inaction. In this regard, a trademark is vulnerable to attack and can unintentionally become a wasting asset. This section of the paper will explain the steps a charity or not-for-profit should take to monitor and enforce its trademarks.

a) Protection through Parallel Registrations

First, a charity or not-for-profit should ensure parallel registration of trademarks in as many ways as possible. This means that the organization's name is registered, either as a corporation or under the *Business Names Act*³³ (in Ontario) if it is not the name of the corporation, and also that a registered trademark and any corresponding domain names have been obtained. Ideally, the trademark used by the charity should be included in the corporate name to allow dual-protection for the organization as both a corporate name and as a trademark. If the identifiable trademark of a charity or not-for-profit is different from its corporate name, then it is essential that the trademark also be registered as a business name under the *Business Names Act* (in Ontario) or similar business name legislation in other provinces, in order to remain compliant with local laws.

Corporate and business name registrations alone do not result in the acquisition of intellectual property rights to a name. Additionally, if a charity or not-for-profit is operating in another country, consideration should also be given to registration of trademarks in foreign jurisdictions.³⁴ Finally, it is also important to secure domain names that correspond to trademarks as soon as possible.

b) Monitoring Infringers

³³ RSO, 1990, c B.17. Similar legislation exists in the other provinces of Canada; for example, see Manitoba's *Business Names Registration Act*, CCSM c B110 and Saskatchewan's *Business Names Registration Act*, RSS, 1978, c B-11. For further information about business name registration by province, see Jacqueline M Demczur and Esther SJ Oh, *Extra-Provincial Corporate and Fundraising Compliance for Charities* (The 2nd National Symposium on Charity Law, Toronto, 14 April 2004), online: Carters Professional Corporation <<http://www.carters.ca/pub/article/charity/2004/esojmc0414.pdf>>.

³⁴ See the following cases as examples illustrating the importance of registering a trademark in a foreign country: *Havana Club Holding, SA v Galleon, SA*, 961 F Supp 498 (SDNY 1997); *Havana Club Holding, SA v Galleon, SA*, 974 F Supp 302 (SDNY 1997); *Havana Club Holding, SA v Galleon, SA*, 62 F Supp (2d) 1085 (SDNY 1999), aff'd 203 F (3d) 116 (2d Cir 2000), cert denied 531 US 918 (2000). See also Emily Taylor, "The Havana Club Saga: Threatening More than Just 'Cuba Coke'" (2004) 24:2 *Ns J Int'l L & Bus* 513.

Even if a charity or not-for-profit obtains a registered trademark, it will still have to be proactive in monitoring potential infringement by others. Infringement occurs when the trademark or a confusingly similar trademark is used by someone other than the registered owner who is not an authorized licensee. In order to prevent loss of distinctiveness of registered trademarks, and to prevent the registration of confusing trademarks by others, appropriate steps must be taken to protect and to enforce trademark rights. Trademark rights may also be lost if the organization fails to effectively police its marks against eroded distinctiveness, which may occur as a result of the presence of confusingly similar third-party marks in the marketplace. As such, as new entities enter the marketplace, it is important that the organization stop use of any confusingly similar marks in order to ensure that the organization's marks remain distinctive.

Importantly, given that applicants do not need to use a trademark prior to obtaining a registration certificate, charities and not-for-profits will need to be aware of trademark squatters who search the internet for unregistered trademarks and obtain registration for these trademarks in Canada, to eventually extort value for them from the unregistered trademark owner. Charities and not-for-profits can avoid this risk by proactively applying for trademark registrations.

To help avoid adverse consequences, the organization should monitor the marketplace for infringement by consulting available sources, including the *Trademarks Journal*;³⁵ trade journals, magazines and newspapers; NUANS searches; telephone books; Internet domain names; and names of registered charities with the Canada Revenue Agency.

It is also possible to register for trademark watching services with a third-party which provides this type of service.³⁶ For an organization that is large enough to do so, it may be an option for certain staff to be given the responsibility of monitoring sources for potential infringers. Some organizations may find this option more feasible financially.³⁷

³⁵ However, this is not a practical option for most charities unless they are prepared to pay a trademark agent to do so on their behalf.

³⁶ Carter, "Avoiding Wasting Assets II", *supra* note 2 at 78.

³⁷ Terrance and Goh, *supra* note 18 at 96.

If a charity or not-for-profit becomes aware of a confusingly similar trademark, it should immediately take action to stop the infringement from continuing, or else it runs the risk of losing its entitlement to the registered trademark. To help avoid these adverse consequences, a charity or not-for-profit should enforce its trademark rights through various legal means, such as (a) sending demand letters, (b) filing a notification of third party rights with CIPO, (c) leverage tools made available on social media platforms, (d) initiating opposition or cancellation proceedings, (e) entering into licensing and/or other agreements with third parties, and/or (f) initiating a trademark infringement or passing-off lawsuit, as may be appropriate under the circumstances.

c) Enforcing an Unregistered Trademark

While it is advisable for charities and not-for-profits to obtain trademark registration as soon as possible, many will never do so. In cases where a trademark is unregistered, there are still several options available to enforce and maintain trademark rights.

Firstly, counsel should consider whether the organization can obtain protection under corporate law principles. If another organization has a confusing corporate name to that of a charitable or not-for-profit corporation, then under the applicable incorporating federal or provincial statute, or under the appropriate provincial business name legislation, there will generally be a mechanism to file a complaint about the confusion.³⁸ The organization can also request that the offending party be required to change its name. However, counsel should advise their charitable clients that a business name registration is not enough in itself to protect the unregistered trademark.

Secondly, if there is already a competing registered trademark, steps can be taken under the *Trademarks Act* to have the registered trademark expunged or invalidated. Section 45 of the *Trademarks Act* provides for a summary cancellation proceeding in which an organization can make a written request to the Office of the Registrar of Trademarks, who will issue a notice to the registered owner for evidence of use of the trademark.³⁹ However,

³⁸ See, for example, s 6 of Ontario's *Business Names Act*, *supra* note 33.

³⁹ *Trademarks Act*, *supra* note 4, s 45.

this is only available after three years have passed since the trademark was registered.⁴⁰ Expungement of the entire registration or of certain goods or services may occur if the owner does not provide sufficient evidence of use of its mark or does not demonstrate special circumstances justifying the non-use.⁴¹ Alternatively, the *Trademarks Act* sets out additional grounds for invalidating a trademark registration through proceedings before the courts. Amongst other things, these grounds include that the applicant for registration was not the person entitled to secure the registration because, for example, the trademark was confusing with a previously used trademark by another organization.⁴²

Thirdly, it is possible for an organization with an unregistered trademark to maintain a “passing off” action at common law against an organization that is using a similar trademark. Passing off is considered an economic tort that protects the goodwill of the business of the plaintiff.⁴³ Although it is difficult to prosecute, lengthy and expensive, it does provide an avenue of protection to a charity or not-for-profit with an unregistered trademark.⁴⁴ However, organizations must keep in mind the limited geographic scope of such an action, as well as the additional elements that must be established, as outlined in the case of *Ciba-Geigy Canada Ltd v Apotex Inc* (“*Ciba-Geigy*”).⁴⁵

In *Ciba-Geigy*, the Supreme Court of Canada considered an appeal of a passing off claim regarding brand-name and generic drugs. In allowing the appeal, it identified the three requirements that a plaintiff must establish to maintain a successful “passing off” action:

- i. That the plaintiff possesses goodwill or a reputation for providing a service or product;
- ii. That the defendant made or was about to make a misrepresentation to the consuming public; and

⁴⁰ *Ibid*, s 45(1).

⁴¹ *Ibid*, s 45(3).

⁴² *Ibid*, s 18.

⁴³ *Canadian Encyclopedic Digest*, vol IX 9(a), “Passing Off – General”, §191-192.

⁴⁴ Carter, “Avoiding Wasting Assets II”, *supra* note 2 at 80-81.

⁴⁵ [1992] 3 SCR 120.

- iii. That the defendant intended to injure in some manner the goodwill or business of the plaintiff and that actual damage was caused.

The common law tort of passing off has been codified in the *Trademarks Act*, providing additional protections for both registered and unregistered owners.⁴⁶ The test for “passing off” under the *Trademarks Act* requires proving the same three elements outlined by the court in *Ciba-Geigy*, as stated above.⁴⁷

d) Enforcing a Registered Trademark

Once a trademark has been registered, the protection that is available for it is considerably enhanced, including the presumption of validity and the right to sue for trademark infringement anywhere in Canada. Registering a trademark also allows trademark owners to sue for depreciation of goodwill. When it comes to stopping a third party from using a confusingly similar trademark, these advantages cannot be understated.⁴⁸

More specifically, an action for trademark infringement can be brought in accordance with section 19 and 20 of the *Trademarks Act*. For example, section 19 of the *Trademarks Act* provides that “the registration of a trademark in respect of any goods or services, unless shown to be invalid, gives to the owner of the trademark the exclusive right to the use throughout Canada of the trademark in respect of those goods or services.” This provision of the *Trademarks Act* serves to protect “registered trademarks by prohibiting the use of an ‘identical’ trademark.”⁴⁹ In addition to this, a registered owner also has enhanced protections under section 20, which confers the right to exclusive use on the registered owner and, subject to certain exceptions, allows the registered owner to bring an action for trademark infringement prohibiting the use of a “confusing” mark by a person who is not entitled to use it under the *Trademarks Act*.⁵⁰ The test for confusion under this section is the same as was mentioned in section B.2, above. Further, under section 22 of the Act, registered owners may also bring an action against anyone using “a trademark registered

⁴⁶ *Trademarks Act*, *supra* note 4, s 7.

⁴⁷ See *Kirkbi AG v Ritvik Holdings Inc.*, [2005] SCJ No 66, [2005] 3 SCR 302 (SCC).

⁴⁸ *Trademarks Act*, *supra* note 4, s 55.

⁴⁹ Carter and Goh, *supra* note 18 at 105.

⁵⁰ *Trademarks Act*, *supra* note 4, s 20.

by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.”⁵¹

C. **FURTHER CHANGES TO THE *TRADEMARKS ACT* IN BILL C-86**

Bill C-86, *Budget Implementation Act, 2018, No. 2* (“Bill C-86”),⁵² received Royal Assent on December 13, 2018. While Bill C-86 introduces further amendments to the *Trademarks Act* that will impact the enforcement of trademarks, the provisions discussed below have not yet been brought into force. In this regard, one such amendment introduced by Bill C-86 provides that where the owner of a registered trademark, including a charity or not-for-profit, seeks to enforce its registered trademark during the first three years of registration, it will first need to either provide evidence of use of that trademark in Canada, or demonstrate special circumstances justifying its non-use.⁵³

One other significant change is that the Registrar of Trademarks will have the authority to remove an official mark from the registry if the official mark owner is not a public authority or no longer exists. This change to the trademark regime will have large consequences on charities and not-for-profits that hold official marks. Previously, registered charities were generally able to obtain official marks until 2002. Now, simply being a registered charity alone is insufficient to qualify for “public authority” status for the purposes of obtaining official marks. However, many of these official marks continue to sit on the trademarks database and will remain so until they are either voluntarily withdrawn by the owner or struck from the register by a successful federal court action for judicial review.

When the amendments to the *Trademarks Act* come into force, either the Registrar of Trademarks or any person can have an official mark invalidated if the entity that obtained the mark either no longer exists or is not a public authority (which would catch registered charities), leaving registered charities’ official marks vulnerable to attack and subject to removal. Charities and not-for-profits that have official marks should therefore

⁵¹ *Ibid*, s 22(1). See also Carter and Goh, *supra* note 18 at 110-114.

⁵² Bill C-86, *A second Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures*, 1st Sess, 42nd Parl, 2018 (assented to 13 December 2018).

⁵³ *Ibid*, s 225.

immediately secure parallel registered trademarks for any official marks they currently have prior to these amendments coming into force.

These amendments to the *Trademarks Act* do not yet have a set coming into force date.

D. TIPS FOR PROPER USE AND MAINTAINING CONTINUED PROTECTION OF TRADEMARKS

It is crucial for a charity or not-for-profit to maintain its trademark registrations in order to enjoy continued protection and enforceability of its trademarks. The following is a list of a few tips and suggestions that can be used to help maintain both registered and common law trademark rights:

a) Continued Use

In order to remain valid and enforceable, a trademark must continue to be used by the charity or not-for-profit. To ensure proper use of the trademark in association with goods, the trademark should be displayed on the goods or their packaging at the time the goods are sold or distributed to customers. With regard to services, the trademark should be displayed during the performance of the services or in advertising or promotional materials for the services.⁵⁴ After its third anniversary, a trademark registration may be vulnerable to cancellation, or goods or services may be struck from the registration, if the trademark is not in use in Canada with the goods and services covered by the registration.⁵⁵ A registration also may be expunged if it can be implied that the owner intended to abandon the trademark. For these reasons, legal counsel should also advise charities and not-for-profits to keep evidence to prove their continued use of a trademark, including samples or photographs displaying their continued use of the mark.

⁵⁴ See *Trademarks Act*, *supra* note 4, s 4.

⁵⁵ Canadian presence may not be required to establish use of a trademark. For foreign charities and not-for-profits that do not have a physical presence in Canada, operating and maintaining a website that is accessible to Canadians and that Canadians can benefit from has been found to sufficiently meet the “use” requirements in order to maintain trademark registrations in Canada. See, for example, *Dollar General Corporation v 2900319 Canada Inc*, 2018 FC 778.

b) Consistent Use

Charities and not-for-profits should ensure that a trademark always appears in the form in which it has been registered without significant variation. Otherwise, the trademark as registered may become vulnerable to cancellation for non-use. Alterations of word marks that may weaken the marks include using revised spellings, abbreviations or including additional words around the trademarks. Alternations of a design mark that may weaken the mark include any change to the design. A trademark should always be used in a manner which will distinguish it from the surrounding text. For example, trademarks should be displayed in a font, colour or size that differs from the surrounding text, or use of quotations, italics, or all capital letters should be used to help distinguish the trademark.

c) Licensing

In order to prevent loss of control and loss of distinctiveness of the organization's trademarks, there should be written license agreements in place when a third-party (separate legal entity) is permitted to use the trademarks. License agreements will protect the marks from dilution in the marketplace. More importantly, if a mark is ever challenged for non-use and evidence of the use of the mark has to be provided, the use of the mark by a licensee is deemed to be use by the owner, provided that the registered owner has direct or indirect control of the character or quality of the goods or services.⁵⁶ Conversely, an unlicensed non-owner can inadvertently weaken the distinctiveness of your valuable brand. Failure to maintain the distinctiveness of the trademark may lead to loss of trademark rights.

d) Marking Requirements

There is no clear legal distinction in Canada between the symbols ® and TM. However generally, the TM symbol has come to indicate a claim to unregistered trademarks rights, whereas the ® symbol indicates a claim to registered trademark rights. Because these symbols indicate a claim to trademark rights, using these symbols may help to promote public recognition of the organization's trademarks which may be important to enforcing the trademarks. Using an appropriate symbol is particularly important in situations where the public might not perceive that a particular mark is being used as a trademark. In some

⁵⁶ *Trademarks Act*, *supra* note 4, s 50(1).

Canadian cases, the use of appropriate symbols has saved trademark registrations from problems during non-use proceedings.

A charity or not-for-profit should also consider utilizing a footnote or legend to indicate that the mark is a registered trademark; and that identifies the registered owner by name and, where applicable, indicates that use of the trademark is under license. However, if these symbols are used, it is vital to use them correctly and in the appropriate place.

e) Avoid Generic Use

Generic use of a trademark may render it non-distinctive and vulnerable to expungement. A trademark should not be used as the name of a product or service, as this creates the risk that it will become the common name for that type of product or service, and will no longer distinguish the charity or not-for-profit's services from others in the marketplace. Wherever possible, a trademark should be followed by a word or words that identify the registered goods and services. For example, "Jell-O" is not the generic name of a product, but is rather a trademark, as in Jell-O® jelly products or Jell-O® pudding.

f) Other Goods and Services

If the charity or not-for-profit expands its operations and the trademark comes to be used with goods or services which are not covered by the current registration, the registration should be updated. New goods and services can be added to an existing registration by submitting a separate trademark application to expand the statement of goods and services.

g) Loss of Distinctiveness

Failure to maintain distinctiveness may lead to expungement of the registration and could render a common law trademark unenforceable. Loss of distinctiveness may occur through improper use, improper licensing or failure to restrain infringement by others. Allowing multiple users of the same trademark to exist in the same marketplace will result in a loss

of distinctiveness, and so steps to enforce trademark rights against infringing third parties should be taken as soon as the charity becomes aware of an infringement.⁵⁷

E. CONSIDERATIONS FOR LICENSING OF TRADEMARKS

Licensing refers to the contractual arrangement whereby an owner of certain rights authorizes or permits another entity to exercise those rights. Without the license agreement between the parties, the exercise of those rights would not ordinarily be permitted. The owner retains the right in what was licensed and the right to revoke the license. It should be noted that licensing does not create a proprietary right for the licensee in what has been licensed.⁵⁸ With regard to trademarks, licensing is the primary means by which the trademark owner ensures that its trademark is controlled such that the distinctiveness (and thus validity) of the trademark is maintained, notwithstanding that it is being used by entities other than the trademark owner itself, over which the charity may not have direct control.

There are a number of situations in which licensing of a registered trademark will be a relevant consideration for a charity or not-for-profit. These situations include:⁵⁹

- i. when a Canadian charity or not-for-profit is setting up local chapters and wishes to maintain ownership and control of a trademark through some form of franchising agreement;
- ii. when a Canadian charity or not-for-profit expands its operations into other countries and wishes to maintain ownership and control of its trademark on an international basis through some form of franchising agreement;
- iii. when a charity or not-for-profit permits other organizations to use its trademark as evidence of membership or maintenance of standards;

⁵⁷ For an example of case law illustrating the importance of maintaining distinctiveness, see *Sadhu Singh Hamdard Trust v Havsun Holdings Ltd*, 2019 FCA 10, in which the Sadhu Singh Hamdard Trust lost distinctiveness of a mark after the mark had been used concurrently by two parties for over ten years.

⁵⁸ Carter and Goh, *supra* note 18 at 210.

⁵⁹ Carter, “Avoiding Wasting Assets II”, *supra* note 2 at 68.

- iv. when a charity or not-for-profit permits its trademark to be used in conjunction with a fundraising event conducted by third parties on its behalf;
- v. when a foreign charity or not-for-profit is sponsoring a new charity in Canada and wishes to retain the ownership and control of the trademark in Canada;
- vi. when a charity or not-for-profit enters into a sponsorship agreement; or
- vii. when a religious denomination wants to retain control over the use of the denominational name by local churches.

1. Requirements for Trademarks Licensing

Generally speaking, a trademark is valid only as long as it is distinctive of a single owner. However, it is not uncommon for organizations to license their trademark to third parties. The *Trademarks Act* provides a mechanism to allow a trademark owner to license its mark to a third party to use the mark, without the potential of eroding the distinctiveness of the trademark, even though the trademark will be used by more than one source. In those circumstances, it is critical that trademark owners properly license their marks to mitigate any risk that the use of the mark by the third party may pose to an otherwise valid trademark.

More specifically, section 50 provides that the use of a trademark by a licensee is deemed to have the same effect as the use by the owner, provided the owner maintains and exercises direct or indirect control over the character, quality, and use of the trademark in association with the goods and services in question.

Further, if public notice is given that the use of the trademark by the licensee is under license, and the identity of the owner of the trademark is stated, unless the contrary is proven, it is presumed that the use is licensed by the owner of the trademark and the character or quality of the goods or services is under the control of the owner.⁶⁰

⁶⁰ *Ibid* at 69.

One way of identifying this relationship is through the use of a footnote or statement of ownership, as follows:

HELP THE CHILDREN ®

“Help the Children” is a registered trademark of Help the Children International used under license by Help the Children Canada.

2. General Licensing Considerations⁶¹

Section 50 does not require a trademark license to be in writing. However, a written license will avoid the trouble of proving its existence if invalidity proceedings arise, as is often necessary with oral and implied agreements. When a trademark license agreement is entered into, there are certain key considerations that need to be in place to protect the integrity of the trademark. Some of the most important factors are summarized below:

- i. Scope of License – clearly identify which trademarks are being licensed and which are not, on an exclusive or non-exclusive basis. Clearly define the geographic territory for the licensee’s use. Obtain foreign legal advice where the license permits use of the trademark abroad.
- ii. Licensee’s Undertaking – the licensee should acknowledge that the trademark being licensed is valid, and warrant that it will not dispute the trademark owner’s rights pursuant to the trademark, attack the validity of the trademark, oppose the renewal of the trademark or challenge any extension of the goods or services attached to the trademark. Furthermore, any rights or goodwill attached to the trademark as a result of the licensee’s use should inure to the licensor and for the licensor’s benefit.
- iii. Controlling “Use” – establish and monitor the standards for trademark appearance and display, *e.g.* through the organization’s “brand standards”.
- iv. Quality Control – exercise control, either directly or indirectly, over the character and quality of the goods or services, including the right to inspect the licensee’s premises or

⁶¹ *Ibid* at 70-73.

samples of the product sold in order to ensure their compliance with the agreement's quality requirements.

- v. Assignment and Sub-License – the agreement should state whether or not the licensor agrees to the assignment, transfer or sub-licensing of the trademark and on what terms. If the licensor retains the right to assign its rights in the trademark to another party, the licensee may want to impose terms to protect its interest in the event of an assignment.
- vi. Licensee's Standing – set out the scope and limits on what right or standing, if any, the licensee will have to commence legal proceedings for enforcing trademark rights.
- vii. Prescribed Boundaries for Licensed Goods or Services – set out a geographic area and a defined list of services with which the licensed trademark can be used. Where the licensee uses the trademark in respect of other goods and services, specify that any resulting rights enure to the licensor based upon the actions of the licensee as agent of the licensor.
- viii. Liability – indicate that the licensor remains liable for the validity and registrability of the licensed trademark. The licensee should be made liable for misuse of the trademark. The licensor should nonetheless maintain liability insurance in the event that a claim is made against the licensor for actions of the licensee arising out of misuse of the trademark.
- ix. Confidentiality – include a non-disclosure clause that survives the life of the license agreement.
- x. Royalties – clarify what kind of payment will be required (*e.g.* flat fee, royalties or percentage of profits); how the payment will be calculated; and when payment will be calculated or required. For international licensing agreements, there should be a clause dealing with currency exchanges and taxes. Additional tax considerations may apply to charities and not-for-profits regarding any receipt or payment of a licensing fee, which would need to be addressed before agreeing to any licensing arrangement in this regard.
- xi. Termination of License Agreement – provide for a specific termination date, and include provisions that allow the license agreement to be renewed at the option of either party. Set

out a right in favour of the licensor to terminate the agreement in the event of a breach of the agreement.

- xii. Effect of Termination of Agreement – state that upon the termination of the license agreement, the licensee ceases the right to use the trademark and agrees to return all items with the trademark on it, and that both parties will issue a joint public statement if deemed necessary by the licensor.

F. CONCLUSION

As can be seen, trademarks are vital aspects of a charity or not-for-profit's asset base. An infringement of a trademark can potentially affect all aspects of the organization, including its reputation and ability to attract donations, such that the organization's livelihood could ultimately be threatened. For this reason, it is crucial that an organization be proactive in protecting its trademarks and taking action against potential infringers, and that their legal counsel be familiar with the issues that will need to be addressed.