

# HOW TO AVOID GETTING YOUR SIGNALS CROSSED - TRADE-MARK CO-BRANDING IN CANADA

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One of the most powerful marketing tools for any business are its trade-marks. These are signals to the public that your product or service is of a certain quality or has characteristics which make it stand out from the crowd. Trade-marks attract customers through the goodwill they have achieved as badges of quality and over time can grow to become one of the most valuable assets in the franchise operation.

Trade-marks are also very fragile. If they are improperly used, licensed or transferred this can result in a complete loss of rights to the mark. It is therefore extremely important to ensure that nothing is done which will harm the trade-mark's ability to function as an important distinguishing feature of the franchise operation.

Even though it is not absolutely necessary that the public knows the actual identity of a trade-mark owner, it is extremely important for the public to understand that there is either a single source for the goods and services under the mark or that their quality will be up to an expected standard when the mark is licensed.

On occasion businesses will team up to create a co-operative venture and, as part of the overall synergistic strategy, will co-brand their trade-marks, generally meaning that the marks will appear together in close proximity. There are several examples in the fast food restaurant industry where different franchise operations will open jointly under one roof. A good example of this co-operative effort is found along the length of highway 401 where the Wendy's and Tim Horton's franchise chains operate together at several locations. The message to the public is crystal clear since there is no confusion as to which franchise is operating the aspect of the business relating to hamburgers under Wendy's and donuts under Tim Horton's. How do Wendy's and Tim Horton's do it?

Other co-operative business ventures, however, often do not take sufficient steps to ensure that the message to the public is not muddled. Once consumers are unsure as to who owns or is behind the trade-marks, there is a real danger that the marks will lose their distinctiveness which goes to the very heart of exclusive trade-mark protection.

There are several ways to ensure that this does not happen. The following are some practical tips:

1. Ensure that the co-branded businesses which are teaming up are complementary but not identical or very closely related. It may not be a good idea for instance to co-brand a franchise which specialises in croissants with a donut franchise. On the other hand, co-branding a coffee franchise with a bookstore such as "Chapter's" and "Starbucks" keeps the co-branded trade-marks at bay simply by the different, but complementary (have a coffee and read a book) nature of the respective services and products involved;
2. Keep the separate franchise operations in proximity but in well defined and separate areas under the same roof. Wendy's for example is located at one end of the highway 401 rest stops

whereas Wendy's is at the other end. In addition the respective interior designs and employee uniforms are quite distinct;

3. Ensure that the signage and logos associated with the co-branded marks are very distinct and stand out for each mark in terms of color, script and overall appearance;

4. Include trade-mark notices on in-store signage, packaging, labelling and advertising wherever the marks appear and where convenient. This can be done by the placing of an R in a circle, where the mark is registered in Canada, or by use of the letters TM or an asterisk. Additional notices should be considered identifying the owner of the trade-mark and the fact that the mark is used under license by the franchisee;

5. If the parties to the co-operative venture actually use the trade-marks of the other in relation to any aspect of their business, a written trade-mark license agreement containing strict quality control provisions should be entered into in addition to the license agreements with the franchisees;

6. Registration of the co-branded trade-marks by the respective owners is also recommended.

As long as most of these minimum safeguards are put into place, the hidden dangers and pitfalls involved in co-branding trade-marks can be avoided. The key is for franchise operations to be aware of the potential risks and to take all necessary steps to avoid crossing signals and sending mixed messages to the public.

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