

---

## The Charity Law & Practice Review

---

# WHAT'S IN A NAME? - THE COST TO A CHARITY OF PROTECTING ITS NAME

Debra Morris<sup>1</sup>

The name of a charity is a very precious commodity<sup>2</sup>. It is the means by which it is identified, both in the register of charities and by the general public. If a charity's name is tarnished in any way, it may lose everything. For example, in Scotland, where there is no register of charities, it has been acknowledged that adverse publicity for 'look-alike' groups is both 'severe and distressing' and that it has, in the case of one 'genuine' charity, cut its research project funding.<sup>3</sup> Similarly, when the public make donations, it is essential that their money ends up in the right hands - that is, with the intended charity. Even with long-standing members of a charity and even in the solemn business of making wills, mistakes and confusion do occur. It is therefore desirable, in everyone's interests, that confusion should be avoided if possible. There should be legal mechanisms in

---

<sup>1</sup> Debra Morris, Charity Law Unit, University of Liverpool, Liverpool L69 3BX. Tel: (0151) 794 2825 Fax: (0151) 794 2829.

The author wishes to acknowledge the assistance of David Booton, an Intellectual Property lecturer in the Faculty of Law, University of Liverpool, and Paul Stevens of Nabarro Nathanson who both kindly commented upon this article in draft form. The latter, the solicitor for the British Diabetic Association, kindly corresponded with the author and provided much useful background information.

<sup>2</sup> It has been described as a 'valuable asset' by the Charity Commissioners. [1991] Ch Comm. Rep. para 107.

<sup>3</sup> See the comments on behalf of the Meningitis Research Foundation, reported in 'Voluntary Register For Charities in Scotland', *Charity*, January 1996. The charity is in support of the Scottish Council for Voluntary Organisations' attempt to set up a register of charities in Scotland. See also 'Stamping Out the Charity Cowboys', *Investors Chronicle*, 24th March 1995, where it was reported that a new charity set up in Scotland was registered by the Inland Revenue with the name Leukaemia Research Foundation - almost identical to the well-established Leukaemia Research Fund, which raises about £750,000 a year in Scotland alone. Those running the Leukaemia Research Fund were upset and concerned about the Foundation and its effects on its fundraising.

place for charities to protect their names. The Charities Act 1992<sup>4</sup> did provide some much needed<sup>5</sup> protection. However, it will be seen that such forms of protection that do exist under charity law do not cover all cases that may arise. In the recent case of *British Diabetic Association v Diabetic Society Limited*<sup>6</sup> a registered charity had to resort to an expensive action in passing off against another (unregistered) charity in a bitter legal battle which will necessarily lead to a substantial financial drain on the cause that they both represented. Passing off cases are usually brought by commercial traders, anxious to prevent any injury to their business or goodwill caused by a misrepresentation by a rival trader. The misrepresentation may be made by the use of a mark, name or other indicia the same as, or confusingly similar to, a mark, name or indicia distinctive of the plaintiff. Famous cases in the past have included litigation over squeezy plastic lemons,<sup>7</sup> elderflower 'champagne',<sup>8</sup> and 'chicago pizzas'.<sup>9</sup> However, in this case, the first of its kind in this country, the British Diabetic Association<sup>10</sup> accused the Diabetic Society of passing itself off as being the same as, or connected with, the BDA. At issue was an annual income of £10 million in collections, gifts and bequests (bequests being the main source of income for the BDA<sup>11</sup>).

In this piece, the *BDA case* will be looked at, and then other forms of protection available to charities in similar circumstances will be considered.

### (A) The British Diabetic Association Case

#### Introduction

The difficult question to be determined in this case was whether the BDA had a good cause of action in passing off to restrain the defendants from using 'Diabetic

---

<sup>4</sup> *Post*

<sup>5</sup> See, *Malpractice in Fundraising for Charity* (1986) NCVO, para 5.32.

<sup>6</sup> [1995] 4 All ER 812.

<sup>7</sup> *Reckitt & Colman v Borden* [1990] 1 All ER 873.

<sup>8</sup> *Taittinger SA v Allbev Ltd* [1994] 4 All ER 75.

<sup>9</sup> *My Kinda Town v Soll* [1983] RPC 407.

<sup>10</sup> Hereinafter referred to as 'the BDA'.

<sup>11</sup> The BDA's 1992 accounts (the latest that are in evidence) show annual income in the order of £10 million, about two-thirds of which came from donations and legacies.

Society' or 'British Diabetic Society' - that is, whether any likely confusion between the two organisations in the eyes of the public was the result of actionable misrepresentation, or whether it was just an inconvenience which the parties had to endure.

### **The Facts**

Passing off is an area of the law in which quite minor differences of fact can lead to widely different conclusions and therefore it is necessary to consider in some detail the background and surrounding circumstances in this case.

The BDA was co-founded in 1934 by the diabetic novelist H G Wells and Dr R D Lawrence. Its aims have always been to provide support and information to people with diabetes, their families and friends, and to support diabetic research. It now employs around 70 staff at its London headquarters and has 450 branches throughout the UK. Until his expulsion in disputed circumstances in 1982, Mr Bennett had been a valuable and hard working London regional representative of the BDA. With his wife, who was also expelled, he set up the National Diabetes Foundation (which was established to fund research into a cure for the illness) in 1982 and the Diabetic Society Limited (established to provide advice and relief - in particular, by distributing blood-glucose monitors to those in need) in 1990. In reality, the National Diabetes Foundation, which became the Diabetes Foundation, and the Diabetic Society both conducted very similar activities and they shared their facilities. The latter had since applied for registration as a charity but the application was shelved to await the outcome of this case. The BDA claimed that *it* was also popularly known as the Diabetic Society and that it had, throughout its history, received legacies and gifts under that and similar names which were intended for it. According to the BDA, therefore, the existence of the Diabetic Society caused confusion among members of the public, particularly people who wanted to leave money to diabetic welfare and research. It was said that many of the BDA's 450 branches had called themselves societies, and that some members would therefore think of the national umbrella body as having the same name. Unless benefactors gave further clues, such as an address of the organisation, in their wills, money could inadvertently end up in the Diabetic Society's hands. Potential confusion also arose with death notices asking for money to be sent to charity in lieu of flowers. The BDA produced evidence in the form of wills to show that people have used a variety of titles to indicate that the BDA was the intended beneficiary of sums ranging from £100 to £1.3 million.

The Diabetic Society's active life was short because, after the Society's existence had come to the notice of the BDA's officers towards the end of 1991, proceedings were commenced on 24th January 1992, and on 15th April 1992 Mr John Lindsay QC (as he then was), sitting as a deputy judge of the Chancery Division, granted an interlocutory injunction restraining the defendants from using the confusingly

similar name of 'The Diabetic Society'.<sup>12</sup> The main issue in the High Court was whether to grant a final injunction.

### **The Decision**

Robert Walker J, while stressing that the defendants had not set out to deceive public benefactors, ordered them to change the name of the charity so as to avoid the word 'Society' which, he said, was 'deceptively similar' in people's minds to the word 'Association'. There was no evidence that the defendants, who ran their charities from their home, were motivated by private gain. Robert Walker J said: 'If they have been misguided in viewing the Association as an enemy and in resisting the Association's claim, at any rate their misguidedness is not lacking in sincerity.'<sup>13</sup> But, the use of the word 'Society', in view of the BDA's size and age, amounted to 'deception, even if unintended, calculated to damage the association's reputation and goodwill'.<sup>14</sup>

### **The Passing Off Action**

Passing off disputes usually involve commercial organisations seeking to prevent others capitalising on their reputations by producing goods which will be mistaken for theirs. The basic law as to passing off is quite simple, with each case turning on its facts. In *Erven Warnink v Townend* (the Advocaat case)<sup>15</sup> Lord Diplock identified five characteristics which must be present in order to create a valid cause of action for passing off:<sup>16</sup>

- (1) a misrepresentation;
- (2) made by a trader in the course of trade;
- (3) to prospective customers of his or ultimate consumers of goods or services supplied by him;

---

<sup>12</sup> *British Diabetic Association v Diabetic Society Limited*  
15th April 1992, unreported.

<sup>13</sup> [1995] 4 All ER 812, 816.

<sup>14</sup> [1995] 4 All ER 812, 831.

<sup>15</sup> [1979] AC 731.

<sup>16</sup> [1979] AC 731, 742.

- (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence); and
- (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.

There were a number of unusual features in this case, the most obvious of which was that the action was being brought by a charity against a charity. This aspect will be considered in the next section. Having determined that such an action could be brought, the judge went on to consider the issue itself. In the context of the passing off action, other features which distinguished this case from regular passing off cases included:

- (1) The BDA put its case on its and the Society's names alone. Usually the case would also be made on get-up in advertising or other promotional material of some sort;
- (2) The name, the use of which the plaintiff sought to restrain, was not the ordinary name of the plaintiff, but was the ordinary name of the defendant;
- (3) Until 1982, the BDA had enjoyed a monopoly position for nearly 50 years. So long an absence of competition would be unlikely for a commercial product for which the potential market is about one million persons.

Because the dispute was limited to name alone, and because the sustaining of some damage and the apprehension of further damage were not in dispute, there were only two issues before the judge:

- (1) At the time of the defendants' acts complained of in these proceedings, did the BDA enjoy exclusive reputation and goodwill in the names 'British Diabetic Society' and 'Diabetic Society' as well as in the names 'British Diabetic Association' and 'Diabetic Association'?
- (2) If not, is the Society's name deceptively similar to the names in which the BDA admittedly has reputation and goodwill ('British Diabetic Association' and 'Diabetic Association') in the sense that the Society's use of its own name would be likely, if not restrained, to lead people to deal with the Society on the faith of the BDA's reputation?

These issues were ultimately questions of fact.

In relation to the first issue, clearly a person can, without a formal change of name, adopt another name for the purposes of a profession or trade. Sometimes

a variant of a name arises from spontaneous public usage.<sup>17</sup> But the fact that members of the public make mistakes about a person's name - even that such mistakes are, in absolute terms, numerous - cannot by itself lead to the conclusion that every mistaken variant of a business name is entitled to the same protection as the correct name. Robert Walker J therefore looked closely at the evidence to determine whether the use of mistaken variants of the BDA's name had been simply a series of mistakes (only to be expected in a charity which has 140,000 members), or whether, on the other hand, it could be said that 'British Diabetic Society' and 'Diabetic Society' were 'nicknames' in which the BDA also enjoyed reputation and goodwill. This approach was adopted in relation to references to branches of the BDA, and also in relation to legacies and other gifts to the BDA itself, where it had been misdescribed. The judge concluded that, on the whole, on the balance of probabilities, the BDA did not enjoy reputation and goodwill in any names other than 'British Diabetic Association' and 'Diabetic Association'. Incorrect references to the BDA as 'British Diabetic Society' or 'Diabetic Society' were nothing more than a sporadic and erroneous usage.

The BDA therefore failed on the first issue, since it had not established reputation in the relevant names at all.

Turning to the second issue, the judge then had to determine whether the Diabetic Society's use of its own name would be likely, if not restrained, to lead people to deal with the Society (which includes becoming subscribing members of the Society, and leaving legacies to the Society) on the faith of the BDA's reputation. For this purpose the defendants' motives were largely irrelevant; it was not necessary for the plaintiff to prove any actual intention to practise deception, although, if such an intention had been shown, then the probability of deception would be more easily established.<sup>18</sup> In the end, the second issue came down to a short, though not simple, question of fact. The judge took into account the following main background matters:

- (1) The business activities of the two charities were such that members of the public were most likely to come into contact with them by recommendation. Those who wanted to contact one or other of the charities would ideally know the correct name, address and telephone number to which to write or call. Any half-recollection of a name may

---

<sup>17</sup> For example, in *Heels v Stafford Heels* (1927) 44 RPC 299 at 301 Romer J took account of the fact that 'their customers and others are in the habit of addressing them by a name of which the word "Stafford" frequently forms part' in reaching his conclusion that 'there is a great body of persons in the trade to whom the plaintiffs are known as "Heels, Stafford" although the word "Heels" alone constitutes the firm name'.

<sup>18</sup> This point was made by Parker J in *Burberrys v Cording* (1909) 26 RPC 693, 701.

have led to a mistake, or may have led to reference to the telephone book or some other directory (which may or may not have led to a mistake). On any view, the name was of particular importance. It was a situation (like that mentioned by Romer J in *Heels v Stafford Heels*<sup>19</sup>) in which a potential new customer (or member) might receive a personal recommendation which is imperfectly recollected;

- (2) The BDA was a large and long-established charity with a loyal membership and a genuinely nationwide coverage. Long absence of competition did not of course entitle the BDA to a monopoly position, but its pre-eminence and nationwide coverage did mean that its reputation and goodwill were substantial. There was a likelihood of confusion with any other charity which aimed to carry out similar activities on a nationwide basis, unless the two charities' names were adequately differentiated;
- (3) There was a limited range of descriptive names for a charity providing advice and help to diabetics in the United Kingdom (though Charity, Council, Federation, Fellowship, Institution and Trust were all possibilities). It was accepted that some risk of confusion may have been inevitable (as it was with the Foundation), but the defendants were not entitled to make confusion worse confounded.

In the end, Robert Walker J reached the clear conclusion that there was not a sufficient differentiation in this case. For the Society to continue to use its existing name would be deception, even if unintended, calculated to damage the BDA's reputation and goodwill.

The BDA therefore failed on the first issue (of reputation and goodwill in a name including 'Society') but succeeded on the second issue (of 'Diabetic Society' being deceptively similar to '[British] Diabetic Association').

### **Should Charities Be Able to Bring Passing Off Actions Against Each Other?**

Although it has been seen that the essentials of passing off are formulated in terms that require both parties to a passing off action to be *traders*,<sup>20</sup> it is clear from the authorities that the words 'trade' or 'trader' are to be widely construed.

---

<sup>19</sup> (1927) 44 RPC 299, 303.

<sup>20</sup> See text *supra* at footnote 16.

In *Kean v McGivan*<sup>21</sup> the plaintiff was the founder of a small northern-based political party called the Social Democratic Party. He sought to restrain Mr Roy Jenkins and others from using the name for their later established political party. He failed at first instance and in the Court of Appeal, where Ackner LJ noted that the courts do not in general interfere to protect a non-trader. He then said: 'I hasten to add that of course the word "trade" is widely interpreted and includes persons engaged in a professional artistic, or literary occupation. Thus the action lies where there is a real possibility of damage to some business or trading activity. Therefore the plaintiff must establish that in some sense he is carrying on a business with which the trade or public will be led to associate the defendant's activities.'<sup>22</sup>

Sir Denys Buckley, agreeing with Ackner LJ, put rather less emphasis on commerce when he added: 'Passing off is a remedy which is designed to protect some form of property - usually the goodwill of the plaintiff in his business or his goods or his services or in the work he produces or something of that kind.'<sup>23</sup>

Thus, trade and professional associations have frequently succeeded in passing off actions, as have the British Legion<sup>24</sup> and Dr Barnardo's Homes<sup>25</sup> in actions against commercial organisations. In the former case, the plaintiffs, a charity, succeeded in obtaining an injunction against an unconnected commercial social club with the name 'British Legion Club', on the grounds that the plaintiffs would be damaged if any misfortune befell the defendants. In the latter case, the plaintiffs, a charity, brought a successful action against the defendants, commercial publishers of romantic pulp fiction, who used the slogan, 'This is a Barnardo Publication' on their books.<sup>26</sup> It has therefore already been established that a 'strict' trader plaintiff is not required in order to bring a passing off action.

The *BDA case*, however, establishes that there is no requirement for a trader defendant either. In Australia, the Court of Appeal of New South Wales,

---

<sup>21</sup> [1982] FSR 119.

<sup>22</sup> [1982] FSR 119, 120.

<sup>23</sup> [1982] FSR 119, 121.

<sup>24</sup> *British Legion v British Legion Club (Street) Ltd* (1931) 48 RPC 555.

<sup>25</sup> *Dr Barnardo's Homes: National Incorporated Association v Barnardo Amalgamated Industries Ltd & Jack Bernadout* (1949) 66 RPC 103.

<sup>26</sup> Evidence was brought before the court that a boy from one of Dr Barnardo's homes was found in possession of one of these books, and, when challenged, he justified the propriety of his possessing it by reference to the words on the back.

upholding the first instance decision,<sup>27</sup> had already stated in *Holy Apostolic and Catholic Church of the East (Assyrian) Australia NSW Parish Association v Attorney General (NSW) ex rel Elisha*:<sup>28</sup> 'We see no reason why an element essentially indistinguishable from commercial goodwill should not be attributed to a charitable organisation and be equally entitled to protection from the law.' In that case it was held that one church could restrain another church from using its name.<sup>29</sup>

In relation to Lord Diplock's third requirement,<sup>30</sup> Robert Walker J considered it obvious that in the case of many charities, their benefactors are likely to be a class of the public quite different from that of their beneficiaries. For example, with the National Society for the Prevention of Cruelty to Children, or the Royal National Lifeboat Institution, the 'prospective customers' or 'ultimate consumers' of the charities' services will, with rare exceptions, be different from those whose generosity funds the services. By contrast, the BDA (like the average church congregation) seemed to be a charity which for its financial needs depended to a high degree on self-help - the evidence suggested that diabetics and their families and friends were a major source of subscriptions, legacies, in memoriam gifts (in lieu of flowers) and fundraising activities. That fact reinforced the judge's conclusion that (whatever may be the position with charities of a different character) passing off could provide a remedy in the present case.

It seems, therefore, that Robert Walker J did not give *carte blanche* to all types of charities to bring passing off actions against other charities. He seemed to leave open the question of whether non 'self-help' charities would be able to bring such actions. It is questionable whether the element of self-help should be relevant. Clearly, the services offered in the course of the BDA's activities were very different from normal commercial trading activities, and its receipts - subscriptions from members and especially legacies - were very different from normal commercial receipts. Should the fact that the BDA depended, for the continuance of its charitable work, on attracting and retaining subscribing members, and on legacies from members differentiate it from other charities that depended upon anonymous 'strangers' for their survival? If the 'mischief' which the judge is trying to prevent, by allowing this passing off action, is confusion, then both categories of the public (members and strangers) could be confused by the existence of similar sounding organisations. Each type of charity would lose income in the same way. For these reasons, drawing any distinction at all may be

---

<sup>27</sup> (1989) 14 IRP 609, now reported at (1996) 37 NFWLR 293.

<sup>28</sup> (1989) 18 NSWLR 291, 292.

<sup>29</sup> See also, the South African case, *Old Apostolic Church of Africa v Non-White Old Apostolic Church of Africa* [1975] 2 SA 684.

<sup>30</sup> See text *supra* at footnote 16.

considered inappropriate. Moreover, as drawn by the judge, the distinction itself does not stand up to close scrutiny, for it seems to have been drawn in favour of the wrong category. This is because it could be argued that non 'self-help' charities should be given more protection than 'self-help' charities, the chance of confusion in the eyes of the public being even greater in the former case than in the latter. One might expect 'involved' donors making planned donations to have a better knowledge of the correct name of the charity compared to spontaneous 'uninvolved' prompted givers. In this context, it is interesting to note that, broadly, charitable giving generally falls into the latter 'prompted' category. For example, in the 1993 Individual Giving Survey, 80% of respondents reported that their philanthropic giving was prompted rather than planned.<sup>31</sup> Perhaps it is the confusion of these prompted givers that should be prevented.

Disregarding this limitation, it is considered that it was appropriate in this case to extend the possibility of passing off actions to two charitable parties. 'Source, reputation and goodwill are as important to eleemosynary institutions as they are to business organizations'<sup>32</sup> and exploitation of their reputation should be protected. Every charity will benefit from public support and anything which tends to divert such support from it injures it (probably financially) in the same way that a commercial organisation is injured by diversion of trade or custom. Distinct identity is just as important to such organisations as it is to a commercial organisation. Its financial credit, its ability to raise funds, its general reputation, and the reputation of those managing and supporting it, are all at stake if its name is used by another organisation and the two become confused in the minds of the public. Moreover, the damage to the plaintiff is just as real whether or not the defendant happens to be a trader. Even confined within the charity world, curious distinctions would arise if there were a requirement for a 'proper' trading defendant, since some charities trade in the course of achieving their charitable purpose (for example, fee paying private schools with charitable status) and some do not. If there was a requirement of a trader defendant, whatever complaint or confusion arises out of the use of identical names in their publications, for example, a charity plaintiff may be able to sue if the defendant charity charges for its publications and hence arguably trades at least in that limited area, but not if it distributes its publications gratuitously. Yet the plaintiff may be utterly unaffected otherwise by whether or not the defendant charges and, indeed, may be more harmed by gratuitous distribution than by one in the course of trade. Similarly, if trading was a strict requirement, could a charity where trading represented only a segment of its overall activities, use a passing off action to protect generally or only so far as possible damage related to that small segment?

---

<sup>31</sup> Halfpenny, P and Lowe, D, *Individual Giving and Volunteering in Britain 1993*, (1994) Charities Aid Foundation, Tonbridge.

<sup>32</sup> Per Bazelon J in *American Gold Star Mothers, Inc v National Gold Star Mothers, Inc* (1951) 27 ALR2d 948, 952. (United States Court of Appeals, District of Columbia Circuit.)

The scope of a passing off action should be wide enough to include deception of the public by *any* one fundraising charity in a way that tends to appropriate and so damage *any* other fundraising charity's goodwill.

Where the name of a charity comprises words in common use (such as generic terms) there should be less opportunity for protection from imitation by other charities. In the context of the *BDA case*, it should be remembered that the plaintiffs did not complain about the existence of the *Diabetes Foundation*. It was therefore not the descriptive word - 'diabetic' (nor, indeed, diabetes) - that was the source of complaint. It was the combination of that word together with *Society*. The decision in the *BDA case* does not, therefore, prevent organisations using the word 'diabetic' or 'diabetes'.<sup>33</sup> Clearly, any charity helping diabetics may want to use these words in their name, and their right to do so is not restricted by this case.

#### (a) **The Loss to the Charity Plaintiff**

One aspect of passing off amongst charities which is distinguishable from passing off amongst commercial parties is the type of loss to the plaintiff and its quantification. For example, the type of loss to the BDA could consist of two kinds: firstly, donations of various kinds may be diverted to the Diabetic Society; secondly, persons may deal with the Diabetic Society thinking it to be the BDA and may receive a service not as satisfactory as they would have received from the BDA and might thereby form a poorer view of the BDA than is justified (and this may lead to more of the first kind of loss). For example, the defendants had one telephone answering machine and two part-time helpers who together did not cover all ordinary working hours. Persons telephoning the defendants thinking that they were the BDA might very well form a less favourable view of the BDA than its fully manned 16 telephone lines truly justify and its reputation might suffer correspondingly. The BDA's reputation may thus be harmed by matters outside its control and, in turn, donations to it may be diminished. Such losses are of their nature unquantifiable. With charities, as compared to commercial traders, the fact and the consequences of confusion and diversion may take years to be detected, if ever they are. Thus, if a confused testator were to make a will today intending the donee to be the BDA, but having been led to think that the Diabetic Society was the BDA, or that the Diabetic Society was associated with the BDA, and having given the legacy for that reason the name of the Diabetic Society, the confusion is likely to be hidden until the testator's death and probate perhaps ten or more years away, at which time it will be peculiarly difficult to establish just what was in the testator's mind.

---

<sup>33</sup> See also, *post*, under section (C), 'Charity Commissioners' Power 'to Change a Charity's Name.

This confusion could lead to a series of legacies being claimed by both the plaintiff and the defendants in the future. By the time the *BDA case* came to court, claims had already been made by the Diabetic Society to legacies which had been paid to the BDA. For example, in the first instance judgment of Mr John Lindsay QC,<sup>34</sup> he referred to evidence of a woman who made her will in January 1980, well before the Diabetic Society came into existence and before even the Foundation existed. In it she gave a legacy of £1,000 to 'Bradford Diabetic Society'. She died in December 1990 and her will was proved in February 1991. The BDA learned of the gift and wrote to ask that it should be confirmed. The executors paid the legacy over in May 1991. By September 1991 the executors' solicitors had received a claim to the legacy on behalf of the Diabetic Society. The executors' solicitors raised the subject with the BDA who drew attention to the date of the will as providing an answer. The Diabetic Society had no branch or appointed representation in Bradford, yet, despite that, and the clear message given by the date of the will, Mr Bennett said in his evidence that it was not certain that the legacy was intended for the BDA. A second example concerned a man who, by his will dated 22nd February 1990, gave a legacy of £500 to 'The Diabetic Society, York Branch'. He died in December 1990 and probate was granted in April 1991. The legacy was paid to York & District Diabetic Club, a member or branch of the BDA. On 31st August 1991, Mr Bennett wrote to the executors' solicitors saying that he was deeply concerned that the legacy had not been paid to the Diabetic Society, although the Society had never had a secretary in York and did not come to be incorporated until some eight months after the date of the will. The Diabetic Society later wrote saying that it was taking counsel's opinion.

The litigation in the *BDA case* has the merit of preventing a decade or more of similar disputes over legacies payable to the 'Diabetic Society' or versions of those words, together with the costs that such disputes would engender.

#### **(b) The Cost to Charity of Passing Off Actions**

The judge said that a passing off action by one charity against another is, on the face of it, a deplorable, even scandalous thing to occur.<sup>35</sup> Charities solicit donations from the public in the expectation that such funds will be well spent on furtherance of the charity's purposes. The judge expressed his 'profound regret'<sup>36</sup> at the failure of all attempts to settle the dispute. He said: 'Even for a lawyer it is a difficult mental feat to recognise this very expensive litigation as

---

<sup>34</sup> *British Diabetic Association v Diabetic Society Limited*, 15th April 1992, unreported.

<sup>35</sup> [1995] 4 All ER 812, 816.

<sup>36</sup> [1995] 4 All ER 812, 817.

helping the diabetics whose subscriptions and gifts will be the ultimate source for payment of the lawyers' bills.'<sup>37</sup>

The fact that the case ran its full course is both deplorable for charitable parties and highly unusual in passing off cases generally. On interlocutory remedies for passing off, Wadlow says: 'From the plaintiff's point of view, an interlocutory injunction is quick, relatively cheap and all but conclusive...If the plaintiff can obtain an interlocutory injunction that is, in practice, almost always the end of the matter. There are very few recent cases in which defendants subject to interlocutory injunctions have fought on to trial...'<sup>38</sup>

The BDA case did go to full trial, despite the fact that counsel assured the judge that repeated efforts had been made to settle the proceedings. In his judgment, Robert Walker J said<sup>39</sup> that it was 'a pity to say the least' that the defendants had not chosen to carry on all their charitable work under the word 'foundation', to which the BDA did not object. By doing so it would have avoided costly litigation.

Robert Walker J ordered the defendants to pay their costs and three-quarters of the BDA's costs for legal actions lasting almost four years. It was reported in the press that the costs were around the sum of £500,000.<sup>40</sup> The judge did, however, hand the defendants a possible lifeline. Whilst acknowledging that they had been a 'thorn in the flesh' of the BDA for many years, he suggested that the BDA might not need fully to enforce its entitlement to costs.<sup>41</sup> Nevertheless, he did add that the public make charitable donations expecting them to be spent on charitable purposes. After the case, the defendants, who had personally funded their own defence, said that they were facing bankruptcy and that their charity could not continue since bankrupts could not be directors<sup>42</sup> and there was no one else to run it.

Clearly, any shortfall in recovery of legal costs against the defendants will have to be paid out of charitable funds.

---

<sup>37</sup> [1995] 4 All ER 812, 816.

<sup>38</sup> Wadlow, *The Law of Passing-Off* (1990) Sweet & Maxwell, London p 432.

<sup>39</sup> [1995] 4 All ER 812, 829.

<sup>40</sup> 'BDA in High Court Battle of Wills', *Charity*, November 1995.

<sup>41</sup> 'Diabetes Fund Fears Ruling Will Be Fatal', *The Times*, 14th October 1995.

<sup>42</sup> Charities Act 1993 s.72.

The author has been informed that the decision of Robert Walker J is subject to appeal proceedings.<sup>43</sup> Although the defendants claimed that they were facing bankruptcy, they have lodged a Notice of Appeal and have instructed a new set of solicitors.

### **(B) Preventing the use of a Charity's Name for Unauthorised Fundraising**

The good name of a charity can also be damaged by unauthorised fundraising. Before the Charities Act 1992, charities found it difficult, if not impossible, to prevent fundraising being undertaken, allegedly on their behalf, by people of whose *bona fides* they were doubtful.<sup>44</sup> Fundraisers may be of dubious honesty, or, while their honesty may be beyond doubt, their methods may not be such as the charity would wish. For example, the report on *Malpractice in Fundraising for Charity* suggested that the Royal National Lifeboat Institution might well be embarrassed if a volunteer fundraiser set about rowing to France in a bath tub.<sup>45</sup> Now, in certain circumstances, a charity can prevent the misuse of its name by obtaining an injunction to prevent unauthorised fundraising by persons other than professional fundraisers or commercial participators.<sup>46</sup> Where a person is soliciting funds for the benefit of a charity or representing that charitable contributions are to be given to a charity, the charity may apply to the court which may grant an injunction restraining such acts. The charity must show that one of three conditions is satisfied:<sup>47</sup>

- (1) the person is using objectionable fundraising methods;
- (2) the person is not fit and proper to raise funds; or,
- (3) if the person is making representations that money will be applied to a charity, the charity does not want to be associated with the venture.

---

<sup>43</sup> This information was provided by Paul Stevens, solicitor for the BDA, in private correspondence with the author.

<sup>44</sup> See, for example, *Malpractice in Fundraising for Charity* (1986) NCVO, para 5.32.

<sup>45</sup> *Malpractice in Fundraising for Charity* (1986) NCVO, para 2.6.vii.

<sup>46</sup> See, generally, Charities Act 1992 s.62.

<sup>47</sup> Charities Act 1992 s.62(2).

The injunction will not be granted unless the charity has served a written request on the person to stop the activity complained of.<sup>48</sup> The charity can also bring an action against the unauthorised fundraiser to recover any sums collected, since these will be held on trust for the charity.

The charity must be aware of the unauthorised fundraising before it can act under section 62. Also, the burden is on the charity to instigate such proceedings.

### **(C) Charity Commissioners' Power to Change a Charity's Name**

Before the Charities Act 1992, the Charity Commissioners could not refuse to register a charity with a name similar to that of another charity or with a name which was misleading in some way. In order to prevent confusion amongst the public and beneficiaries, under the Charities Act 1993<sup>49</sup> the Charity Commissioners have power to direct a change of name to a registered charity in five specified circumstances.

In the context of this article, a change in name can be directed if it is 'the same' or 'too like' the name of any other charity, whether the other is registered or not.<sup>50</sup> A major restriction, however, is that the Charity Commissioners can only order a change of name for a charity *after* it has been registered.<sup>51</sup> If the other charity *is* registered, then under section 6(2) it is the name under which it is registered that is 'protected.' In September 1995, in its published Decisions,<sup>52</sup> the Charity Commissioners considered whether, where a charity had or used more than one name, they could include on the register all the names under which it operated, so that all were 'registered names' (and therefore protected). If such informal or working names were not registered, this would enable other charities to circumvent section 6, thereby causing confusion and undermining the integrity of the register. Section 3 of the Charities Act 1993 stipulates that the register shall contain the name of every registered charity. Taking into account section 6 of the Interpretation Act 1978 which allows singular words to include the plural, the Commissioners concluded that, although they would discourage the use of more

---

<sup>48</sup> Charities Act 1992 s.62(3) and Charitable Institutions (Fundraising) Regulations 1994, SI 1994 No 3024, reg 4.

<sup>49</sup> Charities Act 1993 s.6.

<sup>50</sup> Charities Act 1993 s.6(2)(a). This power resembles that of the Department of Trade, under Companies Act 1985 s.28(2), in relation to registered companies.

<sup>51</sup> The direction to change must be given within 12 months of the time when the registered name was entered in the register: Charities Act 1993 s.6(3).

<sup>52</sup> Decisions of the Charity Commissioners, 1995, Vol 4, pp 22-25.

than one name, they would register every name under which a charity operated, whether it was its formal title or a working name. All such names would then be protected under section 6. This will not, however, include names of individual projects undertaken by a charity.

The Commissioners then laid down certain words which will not be regarded as providing sufficient differentiation between charities when assessing whether or not a name is too like another. Significantly for the *BDA case*, the words 'association' and 'society' are included in the list. In relation to the use of the same words which are descriptive of a charity's operations (for example, 'diabetic') the Commissioners considered that such words could be used by more than one charity if accompanied by other words or phrases which allow for differentiation between them.

The Commissioners also gave other useful guidance on the use of similar names, and, overall, relevant factors will include:

- whether, and to what extent, it is necessary in the interests of the beneficiaries of the charity that the selected name should be adopted;
- the degree to which there will be a risk of realistic confusion with the other charity using the name and damage to beneficiaries of that charity;
- whether the trustees of the charity already using the name have agreed in writing to the proposed use of the name by the other charity.

Other circumstances which may justify a change of name direction by the Charity Commissioners are where the name of the charity:<sup>53</sup>

- (1) is, in the opinion of the Commissioners, likely to mislead the public as to the true nature, either of the purposes of the charity as set out in its trusts, or of the activities which the charity carries on under its trusts in pursuit of those purposes;
- (2) includes a word or expression specified in regulations made by the Secretary of State<sup>54</sup> and the inclusion in its name of that word or expression is, in the opinion of the Commissioners, likely to mislead the public in any respect as to the status of the charity;

---

<sup>53</sup> Charities Act 1993 s.6(2)(b)-(e).

<sup>54</sup> See Charities (Misleading Names) Regulations 1992, SI 1992 No 1901, for a list of the proscribed words.

- (3) is, in the opinion of the Commissioners, likely to give the impression that the charity is connected in some way with the government or any local authority or with any body of persons or any individual, when it is not so connected;
- (4) is, in the opinion of the Commissioners, offensive.

In the Decisions of the Charity Commissioners, published in September 1995, it was stated that, so far, the Commissioners had not had to consider any cases falling within any of the above four categories.<sup>55</sup>

Any change of name direction is given to the charity trustees, who must give effect to it, notwithstanding anything in the trusts of the charity.<sup>56</sup> The trustees must then ('forthwith') inform the Charity Commissioners of the new name and the date on which the change occurred. If the charity is incorporated, the direction will be to the directors and will require the charitable company to change its name by resolution of the directors. The change must also be registered with the Registrar of Companies.<sup>57</sup>

A change of name by a charity does not affect any rights or obligations of the charity. Any legal proceedings that might have been continued or commenced by or against it in its former name may be continued or commenced by or against it in its new name.<sup>58</sup>

Section 6 could not be used to deal with the *BDA case*, since the section does not give the Charity Commissioners jurisdiction to deal with an unregistered charity.

#### **(D) Mediation**

In the course of his judgment in the *BDA case*, Robert Walker J gave a warning to the charitable parties involved in that case when he said: 'I very much hope that both sides will do their utmost to see that this sort of squabbling and sniping now ceases, because it lowers the parties, and indeed charity generally, in the eyes of the general public on which charity depends for support'.<sup>59</sup>

---

<sup>55</sup> Decisions of the Charity Commissioners, 1995, Vol 4, p 25.

<sup>56</sup> Charities Act 1993 s.6(4).

<sup>57</sup> Charities Act 1993 s.7.

<sup>58</sup> Charities Act 1993 s.6(6).

<sup>59</sup> [1995] 4 All ER 812, 818.

Charities operating in the same field may be in competition, but the competition must be based on mutual respect and competition should not exclude co-operation, when co-operation is needed to avoid wasteful duplication of effort (for instance, in supporting research projects). The costly litigation in the *BDA case* has highlighted the need for using mediation to resolve such disputes between charities.

The growing popularity of alternative dispute resolution should have a particular relevance for charities,<sup>60</sup> which, after all, should avoid spending public money on litigation, if at all possible. In June 1995, the National Council for Voluntary Organisations, with the support of the Charity Commission, introduced a pilot dispute resolution service using mediation for charities.<sup>61</sup> The Centre for Dispute Resolution also has a Charities Group. The advantages of mediation include cost, speed, confidentiality and preservation of goodwill between the parties. All these factors seem particularly attractive to charitable parties.

Another view<sup>62</sup> is that mediation is less likely to resolve a dispute between charities than between commercial organisations. This is due to the fact that those involved with charities tend to be so for reasons other than personal gain. Often they invest a considerable amount of personal energy and time for no financial reward and are consequently more emotionally involved than those in commercial organisations. It is said that such emotional involvement often makes rational discussions difficult. Obviously, in the case of some highly charged disputes mediation is not appropriate. Nevertheless, even a failed attempt at mediation may have some use in that it may assist in shortening the ensuing litigation by narrowing the issues.

### Conclusion

The *BDA case* presents an appalling example to the charity world of excessive funds being spent on one charity fighting another, rather than being expended upon the admirable charitable cause which they both sought to further. The dispute did

---

<sup>60</sup> See, for example: Quint, F, 'Alternative Dispute Resolution in the Charitable Sector', *The Henderson Top 2000 Charities* (1995) Hemmington Scott Publishing, London, p 1; Singh, R, 'Mediation and Charities' [1995] *NLJ Christmas Appeals* 28.

<sup>61</sup> 'Pilot Mediation Service for Voluntary Sector', *Third Sector*, 18th May 1995.

<sup>62</sup> This was the view expressed by Paul Stevens, solicitor for the BDA, in private correspondence with the author.

arouse the attention of the media,<sup>63</sup> giving rise to bad publicity for the BDA and charities in general. Clearly, all efforts should be made to resolve future similar disputes at a much earlier stage. The flexible approach of the Charity Commissioners to a charity's registered (and, therefore, protected) name, reported in their Decisions in September 1995, is to be welcomed, as this will limit the opportunities for further such litigation. However, it should not be forgotten that the Commissioners' power is limited to changing the name of a *registered* charity.

As a last resort, the *BDA case* has provided helpful clarification that a passing off action *can* be brought between charities. It would, however, be preferable for the courts not to involve themselves in such disputes between rival charities. Some form of mediation would seem a more appropriate solution to such a problem.

---

<sup>63</sup> See, for example : 'Diabetes Charities Fight Over a Name', *The Daily Telegraph*, 3rd October 1995; 'Diabetics Will Lose In Charity Dispute', *The Times*, 3rd October 1995.