

Trade marks win extra protection from Canadian courts



Paul Jones

The recent decision of the Canadian Federal Court (Trial Division) in *Cheung Kong* has expanded the protection for foreign character trade marks in Canada, so that now in most cases the sound, meaning and details of the design, as understood and perceived by the average consumer of the associated wares and services, will be protected. Previously this was not the case.

Canada has a significant Chinese Canadian population, and Chinese (Cantonese and Mandarin) is now Canada's third most commonly spoken language, after English and French. It has been a common practice amongst Cantonese Canadian business people to adopt the name of a well known business in their homeland for their business in Canada.

Most Chinese now coming to Canada are Mandarin speakers. On Chinese language radio stations in Canada advertising in Mandarin is almost as common as in Cantonese. As the Mandarin speakers set up businesses, the practice of borrowing recognized trade marks from their homeland appears to be continuing. Owners of Asian brand names wishing to protect their reputation, or contemplating expansion into Canada, may find that the *Cheung Kong* decision will make it easier to protect their brand in Canada.

Cheung Kong (Holdings) Limited v Living Realty Inc (1999)
4 C.P.R. (4th) 71 (F.C.T.D.)

Secures registration

Cheung Kong (Holdings) Limited is a well known public real estate company in Hong Kong controlled by Li Ka-shing. It has operations in Canada, and in 1988 it applied for, and eventually received, the registration for the trade-mark "CHEUNG KONG" for real estate development investment services. No application was made to register the Chinese characters, and no indication was given as to the meaning of the words "CHEUNG KONG".

At that time a local real estate company had registered the trade-mark, which it had transliterated as "Cheung, Kong, Sa and Ip" meaning "Long", "River", "Real", and "Business", which it had applied for in 1984. *Cheung Kong (Holdings) Ltd* later managed to have this registration expunged for non-use. However, in 1991 *Living Realty Inc* applied for the same Chinese character trade mark, described in the Canadian Intellectual Property Office simply as "CHINESE CHARACTERS & DESIGN", for real estate and investment services which it used in its Toronto area real estate brokerage, and for trips to Hong Kong to sell Canadian real estate.

長江實業

The mark applied for by *Living Realty* and opposed by *Cheung Kong*

Opposition lodged

When the application by *Living Realty Inc* was advertised, *Cheung Kong* opposed it. However in the Trademarks Opposition Board hearing, the Registrar of Trademarks decided that there was no reasonable likelihood of confusion of *Living Realty Inc.*'s mark "CHINESE CHARACTERS & DESIGN" with the mark "CHEUNG KONG", because the test for confusion was that of the average Canadian who does not understand Chinese. *Living Realty Inc.*'s mark was considered a weak mark in the sense that "... the average Canadian, not being familiar with the Chinese language, would not find any resemblance between the marks in issue visually, or in sounding or in ideas suggested...." (*Cheung Kong (Holdings) Ltd v Living Realty Inc*) unreported [1998] TMOB 149 at p8).

The Registrar's decision followed a line of cases that started with *Krazy Glue Inc v Grupo Cynomex SA de CV* (1992), 45 CPR (3d) 161 (FCTD). There the judge held that the trade mark "KOLA LOKA", which means "crazy glue" in Spanish was not confusing with the trade mark "KRAZY GLUE" because at that time it was found that only a minimal number of

Canadians had sufficient knowledge of Spanish to make the translation. Similar findings were made in other cases. "BLUE POINT" was held not to be confusing with the German "BLAUPUNKT" for car radios in *Robert Bosch GmbH v Grupo Bler de Mexico SA de CV* (1997), 76 CPR (3d) 397 (TMHO). And in *Cheung's Bakery Products Ltd v Saint Anna Bakery Ltd* (1992), 46 CPR (3d) 261 (TMOB) a design mark of Chinese characters in a fanciful script, and with English words, was held not to be confusing with a Chinese character mark that was an identical name, except for the absence of one character. But the Hearing Office found the two marks to be weak marks partly because they "... would not create a clear, memorable impression on the average Canadian, and in the sense that the average Canadian could not easily discriminate between sequences of different Chinese characters." (at p266).

Court reverses

The Federal Court overturned the Registrar's decision in *Cheung Kong*. It found the Chinese characters, as applied for by Living Realty Inc to be confusing with the transliterated Cantonese trade-mark "CHEUNG KONG." In doing so, the Court held that the appropriate test was that of the average consumer of the goods or services associated with the trade mark, and not that of the average Canadian. The previous cases were distinguished as being ones where the Registrar had no evidence before it that allowed it to conclude that a "sig-

nificant" number of consumers could translate or understand the two marks. Although in the *Cheung Kong* case evidence was also lacking as to the size of the Chinese Canadian population, and as to the average consumers of the real estate services, the Court took judicial notice of the existence of a significant Chinese community in Toronto. Further the court inferred that Living Realty Inc targeted its real estate services to the Chinese community partly from affidavit evidence, and partly from the fact that the trade mark applied for was in Chinese characters, and therefore difficult for most other Canadians to recognize. Accordingly the average consumer was considered likely to appreciate fully the appearance, sound, and ideas associated with the Chinese characters. In summary the Court said that:

As a legal test of the likelihood of confusion, the impression on the "average Canadian", or even the "average consumer", may assume a greater homogeneity among actual consumers of a service or ware than is appropriate in such a richly diverse society as contemporary Canada. (at p89)

No search

Previously many Canadian law firms did not take the trouble to conduct a search of the Trademarks Register when applying for Chinese character trade marks. The Canadian Trademarks Office has categorized many Chinese character applications under the head-

ing "CHINESE CHARACTERS & DESIGN" or variations of this wording, and there are now about 2,200 Chinese character trade marks registered.

The Trademarks Office also does not appear to have conducted searches and as a result some confusing Chinese character trade marks are already on the register. For example there are now three registrations for "XINHUA" for bookstores on the Register, including one in the calligraphy of Mao Zedong, as used all over the PRC on state-owned bookstores. This is possible because the previous test for confusion was that of the average Canadian.

新 華

"New China" [*Xinhua in Mandarin*]

Ensure enough experience

Now searches should be conducted for Chinese character trade marks that will be targeted to the Chinese community before the application is made. Applicants should be sure that the person conducting or reviewing the search understands enough Chinese to identify potentially confusing registrations. Failure to do so could result in successful oppositions or expungement by the owner of an existing trade mark.

The Trademark Regulations allow the Examiners in the Trademarks Office to require transliterations and translations of foreign-character trademarks. Canadian firms have tended to rely on the client to provide these, and they are often incorrect or

incomplete. Many registrations have only a Cantonese transliteration of the characters. Unfortunately there is no stable and accepted transliteration system for Cantonese, and Cantonese has a distinctly different sound system than Mandarin. Further, some clients do not understand the request and claim that there is no translation for fanciful or arbitrary marks, or provide a narrow translation. As Chinese speakers know, each character is a one-syllable morpheme that may be used alone or in combination with other characters. Mandarin uses about 400 syllables for over 10,000 characters. Thus a differently written trade mark could easily sound the same as the trade mark applied for. Further, many characters have multiple translations when used alone, and the correct one can only be determined from the context. And when characters are combined, an entirely new translation may result. These characteristics of the language are often used in Chinese word games and puns.

Thorough translation

While the decision in *Cheung Kong* sug-

gests that all elements will be protected, providing both Cantonese and Mandarin transliterations would most probably improve the protection of the mark by making it easier to locate on a search, and by confirming the breadth of the application should an opposition or expungement hearing arise. Similarly it may be better to provide translations for each character, as well as for the combination of characters.

As *Cheung Kong* points out, the test for confusion will now be the perception of the average consumer. To ensure that Chinese character trade marks are fully protected, the owner will also have to take care as to how the trade mark is used in its target market, and collect evidence, in so far as it is economically reasonable, as to its customers. Some Asian businesses in Canada plan to commence business by marketing to the Asian community, but hope in time to penetrate the general Canadian market. They should either develop brand names that work in several languages, or as is often done, develop separate brand names for the different markets. Records and copies of advertising to the Chinese Canadian

market should be retained, along with sales records, to show that the trade mark was targeted to a community that understood its full meaning.

Getting the message

Finally with respect to the use of the Chinese character trade marks, it may be better that notices to the public pursuant to the Trademarks Act are also in the language that the average customer best understands. Thus when designing the packaging and labelling, it may be preferable to translate the notice regarding ownership of the trademarks and the notice specified under Section 50(2) regarding any licence used.

While the decision in *Cheung Kong* will afford greater protection to the holders of foreign character trade mark registrations in Canada, such owners must now also take greater care in applying for and registering such trade marks.

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