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April 2016

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02 Case Summary: *Chongqing Rato Manufacturing Corporation v. MP Machinery (M) Sdn Bhd & Trade Mark Registrar Malaysia [2015] 1 LNS 549.*

In this case summary, we look at the issues of expungement of a trade mark and copyright infringement and the factors in which the court takes into consideration in coming to a decision on these issues.

Impact of the Trans-Pacific Partnership Agreement (TPPA) on Trade Mark Laws in Malaysia.

03

This Article examines the impact of the TPPA on trade mark laws in Malaysia. If ratified, the TPPA will widen the scope of protection of trade marks and streamline Malaysian trade mark laws and procedures with the rest of the parties to the TPPA.

04 The Perils of Using a Mark that May Be Considered as Unlawful Use of a Geographical Indication.

We take a look at the tort of passing off in extended form, application of the Geographical Indications Act 2000 for unlawful use of a geographical indication and the locus standi of trade associations to commence legal action.



Case Summary: *Chongqing Rato Manufacturing Corporation v. MP Machinery (M) Sdn Bhd & Trade Mark Registrar Malaysia* [2015] 1 LNS 549

By Min Lee Boo

The Plaintiff herein had applied to expunge the 1st Defendant's trade mark RATO in Class 7 and to seek a declaration that the Plaintiff is the rightful owner of the design "RATO" and the "R" device.

In brief, the Plaintiff is a company incorporated in China. It is a manufacturer of machineries. The Plaintiff had filed its trade mark applications in a number of countries. The 1st Defendant on the other hand is incorporated in Malaysia and specialises in the importation, distribution, offer for sale, and/or sale of industrial machinery.

In proving its case under Section 45 of the Trade Mark Act 1976 ('TMA'), the plaintiff had to satisfy the following conditions:

- (i) That the Plaintiff is an aggrieved party; and
- (ii) That the 1st Defendant's trade mark is an entry wrongfully entered or remaining on the Register.

QUESTION 1 : IS THE PLAINTIFF AN AGGRIEVED PARTY?

It was held that that there is no dispute on the similarity between the Plaintiff's trade mark and the 1st Defendant's registered trade mark. The Court then went on to look at whether the Plaintiff had used its mark as a trade mark or had shown a bona fide intention to use its trade mark.

The Court was satisfied that the Plaintiff had used its "RATO" trade mark in Malaysia and had the *bona fide* intention to continue marketing its "RATO" products in Malaysia.

The Court further held that the 1st Defendant's registration will prevent the Plaintiff's business expansion in Malaysia due to the similarity between both marks. As such, the Plaintiff is an aggrieved party within Section 45 of the TMA.

QUESTION 2 : IS THE 1ST DEFENDANT'S TRADE MARK AN ENTRY WRONGFULLY ENTERED OR REMAINING ON THE REGISTER?

The Court found based on affidavit evidence that the Plaintiff had established first use of the "RATO" trade marks in Malaysia prior to the 1st Defendant's registration of the same. This was based on the fact that the 1st Defendant had imported the Plaintiff's machineries for the purpose of sale in the Malaysian market.

The Court further found sufficient evidence to show that the 1st Defendant had merely adopted and copied the Plaintiff's catalogue by reproducing the images and/or pictures depicted in the Plaintiff's catalogue and had further copied the Plaintiff's model number and product specification. While the "RATO" mark was derived from the name of the Plaintiff company, the 1st Defendant failed to explain how "RATO" and "R" came about. This led the Court to the conclusion that the 1st Defendant had adopted the Plaintiff's trade marks as its own and proceeded to register it in its name.

Based on the foregoing reasons, the Court found that the Plaintiff was the first user of the "RATO" trade mark

in Malaysia. In view of the finding that the 1st Defendant was not the proprietor of the "RATO" trade mark, the Court thus held that the said mark was wrongfully entered on the Register.

COPYRIGHT

With regard to the issue of copyright, the Court found that based on a visual comparison between the trade marks in terms of the artistic work in trade mark form, as appearing on the machinery and on the catalogues, they were identical. This was also coupled with the fact that there was a causal connection between the 1st Defendant and the Plaintiff from their importer and distributor relationship.

CONCLUSION

The Court held that the trade mark registration by the 1st Defendant was made in bad faith and therefore must not remain in the Register and be expunged accordingly.

On the issue of copyright, the Court held that there was no other avenue for the Defendant to be able to create such copyright work if it was not through the Plaintiff and that it was a material adaptation which tantamount to infringement of the Plaintiff's copyright which subsisted in the artwork. The infringement of the Plaintiff's copyright in the "RATO" mark and the "R" device would also mean that the registration of the Rato marks by the Defendant is contrary to law and must be removed from the Register.



Impact of the Trans-Pacific Partnership Agreement (TPPA) on Trade Mark Laws in Malaysia

By Shie Ying Liew

Malaysia together with 11 other countries (Australia, Brunei, Canada, Chile, Japan, Mexico, New Zealand, Peru, Singapore, Vietnam and the United States of America) finally signed the Trans-Pacific Partnership Agreement (TPPA) in Auckland, New Zealand on 4 February 2016. The following are some of the impacts of the TPPA on trade mark laws in Malaysia:-

NO NEED FOR TRADE MARKS TO BE VISUALLY PERCEPTIBLE

The TPPA specifically provides that sound marks and scent marks are registrable. However, it did not address other non-traditional marks such as 3D marks, trade dress marks, colour marks, tastes or motion marks, which are currently unregistrable under the Malaysian Trade Marks Act 1976 ("TMA"). It would be interesting to see if Malaysia would amend the TMA to provide for the bare minimum or the full spectrum of non-traditional marks.

TRADE MARKS TO INCLUDE COLLECTIVE MARKS AND CERTIFICATION MARKS

Trade marks shall include collective marks and certification marks. The TMA only provides for certification marks. A certification mark certifies the nature or origin of the goods/services. The WOOLMARK logo  is used to identify goods that are 100% wool. A certification mark can also certify manufacture of goods to certain standards (e.g. SIRIM QAS International). A collective mark is a form of trade mark owned by a collective organisation to identify or distinguish its members' goods/

services from those of non-members (e.g. the "CA" device used by the Institute of Chartered Accountants). A collective mark can also be used by the collective organisation itself to promote its members' interests.

USE OF IDENTICAL / SIMILAR MARKS

Owners of a registered mark will have the exclusive right to stop a third party from using an identical/similar mark for goods/services that are related to those goods/services. This would widen the scope of the TMA relating to trade mark infringement, which currently only provides for such exclusive right in relation to the specific goods/services covered by the registration. The TPPA also states that although limited exceptions may be provided to such rights (e.g. as fair use of descriptive terms), nevertheless, such exceptions must take into account the legitimate interest of the owner of the registered mark and third parties. There is also a presumption of likelihood of confusion under the TPPA where use of an identical mark for identical goods is concerned.

PROTECTION OF WELL-KNOWN TRADE MARKS

For the purposes of determining whether a mark is well-known, it would not be necessary for the mark to be registered in Malaysia or elsewhere or included in a list of well-known marks or given prior recognition as a well-known mark. Further, the TPPA provides that protection must be given even if the well-known mark does not cover identical goods/services, provided that such use of the infringing mark would indicate a connection to the

owner of the well-known mark, and that the interests of the proprietor of the well-known mark are likely to be damaged. The TPPA also provides that existing trade mark laws must be amended to allow for the refusal of an application, cancellation of a registration and prohibition of use of a trade mark which is identical to a well-known mark for identical or similar goods/services. With such implementation, cases where local traders try to take advantage of foreign well-known marks which have no presence in Malaysia would no longer be relevant (see *Lim Yew Sing v Hummel International Sports & Leisure A/S* [1996] 3 MLJ 7; *McLaren International Limited v Lim Yat Meen* [2008] 1 CLJ 613).

NON-RECORDAL OF A LICENCE

Recordal of trade mark licences would not be made necessary in order to establish the validity of such licences or as a condition for use of a trade mark by a licensee to be deemed use by the owner.

MADRID PROTOCOL

It is worthwhile to note that under the TPPA, Malaysia would have another 4 years from the signing date of the TPPA to fully implement the Madrid Protocol.

COUNTRY NAMES

It is also worthwhile to note that parties to the TPPA must provide legal means for interested persons to prevent commercial use of a country name in relation to goods in a manner that misleads consumers as to the origin of those goods.



The Perils of Using a Mark that May Be Considered As Unlawful Use of a Geographical Indication

By Yueng May Ng

The Federal Court on 3 February 2016 through Federal Court of Malaysia (Appellate Jurisdiction) Appeal No. 02(f) – 97 – 12/2012 (W) delivered its decision in the continuing legal encounter between Maestro Swiss Chocolate Sdn. Bhd. and 3 others (the Defendants in the High Court) and Chocosuisse Union Des Fabricants Suisses De Chocolat and 2 others (the Plaintiffs in the High Court) ('Maestro SWISS case').

The 1st Plaintiff, Chocosuisse Union Des Fabricants Suisses De Chocolat, is a cooperative society formed in Switzerland which responsibility is to protect the worldwide reputation and goodwill of its members who are chocolate manufacturers in Switzerland. The other 2 Plaintiffs are chocolate manufacturers in Switzerland and are also members of the 1st Plaintiff. The 2nd and 3rd Plaintiffs have been supplying chocolates to Malaysia for at least 10 years and they claim to have substantial goodwill and considerable reputation in Malaysia in relation to the chocolate industry.

PLAINTIFFS' CLAIM FOR PASSING OFF IN EXTENDED FORM

The Plaintiffs' claim against the Defendants arose from the Defendants' use of the mark "Maestro Swiss" in relation to their chocolate products. The Plaintiffs pleaded that the wrongful use of the "Maestro Swiss" mark amounted to misrepresentation and led to a tort of passing off in extended form. It is contended that the Defendants' use of the "Maestro Swiss" mark is "likely to cause consumers and members of the public to be confused or deceived as to the true place of origin and character of the Defendants' "Vochelle" chocolates" and that their

chocolate products are 'connected' or 'associated' with the chocolate products of the Plaintiffs which share the goodwill and reputation of being known as or under the trade name of 'Swiss chocolate'. It is claimed that the 'Swiss chocolate' term carries the distinctive meaning and reputation of belonging to a class of chocolates manufactured entirely in Switzerland and is recognised as high quality and premium chocolate. The Plaintiffs also claim that Swiss chocolates are taken by significant members of the chocolate buying public in Malaysia to be so.

PLAINTIFFS' CLAIM FOR UNLAWFUL USE OF A GEOGRAPHICAL INDICATION

Apart from passing off, the Plaintiffs also rely on the statutory protection against unlawful use of a geographical indication under the Geographical Indications Act 2000 (GIA). "Geographical indication" is defined in the GIA as "*an indication which identifies any goods as originating in a country or territory, or a region or locality in that country or territory, where a given quality, reputation or other characteristic of the goods is essentially attributable to their geographical origin*".

DECISION IN THE HIGH COURT

In the High Court, the Plaintiffs' claim was dismissed. The learned trial judge was of the view that the 1st Plaintiff did not have *locus standi* to be a party to the claim as it is not a chocolate manufacturer, like the 2nd and 3rd Plaintiffs. The learned trial judge followed the English Court of Appeal decision in *Chocosuisse Union Des Fabricants Suisse De Chocolat and Others v Cadbury Limited* [1999] RPC 826 (*Chocosuisse v Cadbury*

[1999]'). The claims by the 2nd and 3rd Plaintiffs were also dismissed based on the learned trial judge's finding that the Defendants did not misrepresent that their chocolate products are in some way connected or associated with the Plaintiffs' chocolate products. On the Plaintiffs' GIA claim, the learned trial Judge did not accept that the use of the words "Maestro Swiss" on the packaging of the Defendants' products would invariably mislead and deceive the Malaysian public that the chocolate originates from Switzerland for which the Plaintiffs can take action under section 5 of the GIA.

DECISION IN THE COURT OF APPEAL

The Court of Appeal in turn held that the 1st Plaintiff has the requisite *locus standi* to bring the action under common law as well as under the GIA. The Court of Appeal also allowed the Plaintiffs' claim against the Defendants for passing off in extended form.

Leave to appeal to the Federal Court was subsequently obtained by both sides. The questions posed are as follows:

LEAVE WAS GRANTED TO THE DEFENDANTS FOR THE FOLLOWING QUESTIONS:

(1) Whether there should be two separate and distinct misrepresentation and confusion tests for the classical and the extended form of passing off, despite the both of them being of the same genre and emanating from the same rational and philosophy, i.e., them being torts against unlawful and unfair trading?

(2) Whether a trade association who does not itself manufacture and sell products of the trade mark in dispute has the *locus standi* to sue for common law tort in passing off, whether in its traditional or extended form?

LEAVE WAS GRANTED TO THE PLAINTIFFS FOR THE FOLLOWING QUESTIONS:

(1) Whether a trade mark or indication which is used not in a bona fide way and/or which use causes or is likely to cause confusion or deception to the public is a “geographical indication” coming within the ambit of s. 27(2) of the Geographical Indications Act 2000 (“GIA”)?

(2) Whether s. 27(2) GIA is the governing and/or applicable provision where it is claimed that rights to a trade mark have been acquired through use in good faith before the commencement of the GIA and thereby, the right to use the trade mark shall not be prejudiced by the GIA?

TEST FOR CLASSICAL AND EXTENDED FORM OF PASSING OFF

In relation to the 1st question posed by the Defendants, the Federal Court held that the tests for misrepresentation and confusion for the classical and the extended form of passing off are the same. The court referred to the submission made by learned counsel for the Plaintiffs that “*nobody may represent his goods as the goods of someone else*” but noted that for passing off in extended form there is the need for “*modification necessary to cater for the specific factual situation arising from the descriptiveness of the term or name to be protected*”.

The Federal Court also agreed with the Court of Appeal’s acceptance of the survey evidence that was adduced by the Plaintiffs (which evidence was rejected by the learned trial judge initially) to conclude that there is a likelihood of confusion in the minds of some members of the public that the Defendants’ chocolate products come from that distinctive group of ‘Swiss chocolates’.

LOCUS STANDI OF TRADE ASSOCIATIONS TO SUE

In relation to the 2nd question posed by the Defendants, the Federal Court disagreed with the Court of Appeal and followed *Chocosuisse v Cadbury* [1999]. The Federal Court agreed with the learned trial judge that the 1st Plaintiff did not have “*any business interest or goodwill*” which it is entitled to protect in an action for passing off against the Defendants. The Federal Court then maintained the learned trial judge’s finding that the 1st Plaintiff did not have locus standi to bring the action for passing off against the Defendants. However, the Federal Court agreed with the Court of Appeal that the 1st Plaintiff was an “*interested person*” within the GIA and as such, the 1st Plaintiff could bring the action under the GIA.

APPLICATION OF SUBSECTIONS 27(2) & 28(2) OF THE GIA

Subsection 28(2) of the GIA provides as follows:

‘28 (2) Where a trade mark has been applied for or registered in good faith, or where rights to a trade mark have been acquired through use in good faith either –

(a) before the commencement of this Act; or

(b) before the geographical indication is protected in its country of origin,

this Act shall not prejudice the registrability or the validity of the registration of the trade mark, or the right to use the trade mark, on the basis that such a trade mark is identical with or similar to a geographical indication.’

The Federal Court accepted the submission by learned counsel for the Plaintiffs that “*no rights to the “Maestro Swiss” mark could have been acquired by the Defendants as to invoke s. 28(2). The requirement that the pre-GIA use must be in use good faith is not satisfied here for s. 28(2) to apply*”.

The Federal Court also considered whether the Court of Appeal was correct to apply subsection 27(2) of the GIA to dismiss the Plaintiffs’ claim.

Subsection 27(2) provides as follows:

‘27(2) In respect of a geographical indication in existence before the commencement of this Act, no suit or proceedings shall be brought under this Act for anything done before the commencement of this Act.’

The Federal Court disagreed with the Court of Appeal by pointing out that the Plaintiffs’ claim was filed after the commencement of the GIA to “*prevent the Defendants from continuing to use the Mark post GIA and not so much for ‘anything done before the commencement of the Act’*”.

The Federal Court pointed out that if the Court of Appeal’s decision to allow the application of subsection 27(2) is upheld, it would mean that the Defendants were free to continue using the “Maestro Swiss” mark despite the Court of Appeal’s findings that “*on the balance of probability shows a conscious use of “Maestro Swiss” on the front part of the packaging so as to give the impression of a link with Switzerland or a Swiss company*” and that the “*use of the device “Maestro Swiss” in the circumstances of this case was not a bona fide use of the Respondents’ corporate name and/or logo*”. This, according to the Federal Court, would render subsection 28(2) otiose. The Federal Court then concluded that the Court of Appeal erred in relying on subsection 27(2) of the GIA to dismiss the claim of the Plaintiffs under the GIA.

TAKE-AWAY FROM THIS DECISION

Brand owners who are thinking of new trade marks and get-up are advised to be cautious of using marks that may potentially fall foul of the GIA (i.e. unlawful use of a geographical indication) or give rise to a cause of action for passing off in extended form, as was the case in the decision mentioned above.