



16 March 2016

THE FEDERAL COURT CONSIDERS THE LAW ON PASSING OFF IN EXTENDED FORM & APPLICATION OF THE GEOGRAPHICAL INDICATIONS ACT 2000

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' "Voichelle" chocolates*" and that their chocolate products are 'connected' or 'associated' with the chocolate products of the Plaintiffs which shared the goodwill and reputation of being known as or under the trade name of 'Swiss chocolate'. It is claimed that 'Swiss chocolate' carry the distinctive meaning and reputation as belonging to a class of chocolates manufactured entirely in Switzerland and are recognised as high quality and premium chocolates. 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).

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 in claim as it is not a chocolate manufacture, 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 a cause of 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 THAT 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 rationale 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 THAT 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. It is pertinent to note that the Federal Court made specific reference to the English Court of Appeal's ruling in *Chocosuisse v Cadbury* [1999] that a mere trade association does not have the *locus standi* to sue whether in its own right or in a representative capacity. 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.

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