Suppliers of alleged counterfeit products to retailers go off scot-free

Doretti Resources Sdn Bhd v Fitters Marketing Sdn Bhd & Ors

Facts

The plaintiff was the registered proprietor of the trade mark “PYRO” in Class 6 for, among others, locksets for doors and windows, locks, and lever handle. The plaintiff had supplied “PYRO” products to the 1st and 2nd defendants which in turn sold them to the public.

The plaintiff discovered that the 1st and 2nd defendants were also selling alleged counterfeit “PYRO” products to the public and these alleged counterfeits were supplied by the 3rd, 4th and 5th defendants. The plaintiff took action against all the defendants for trade mark infringement under Section 38, Trade Marks Act 1976.

The 4th and 5th defendants applied to strike out the plaintiff's claim on the basis that they did not commit trade mark infringement because they did not sell the alleged counterfeit products to members of the public.

Decision

In a rather surprising decision, the High Court allowed the 4th and 5th defendants’ respective striking out applications.

In essence, the High Court held that in order to make out a case for trade mark infringement a defendant must have used an impugned mark leading to likelihood of deception and confusion among ordinary consumers. Thus, the fact that the 4th and 5th defendants sold the alleged counterfeit products to the 1st and 2nd defendants (which were retailers) instead of to members of the public meant the plaintiff’s claim against them (the 4th and 5th defendants) was obviously unsustainable.

In other words, there would only be trade mark infringement, if, and only if, the infringing products were sold to consumers or the public; and other parties along the “chain”, such as manufacturers and wholesalers cannot be held liable if they merely sold to a retailer.

The authors are of the view that there was no basis for the High Court to consider the requirement of likelihood of deception and confusion in such a restrictive and artificial manner. The High Court appears to have overlooked the fact that the alleged counterfeit products would eventually reach ordinary consumers through the 1st and 2nd defendants.

The High Court also relied on the decision of the English High Court in Cadbury Limited v Ulmer GmbH [1988] FSR 385. The authors are of the view that this is clearly wrong as the principle laid down in Cadbury (supra) and the earlier cases referred to therein does not support the High Court’s decision.

A brief outline of the background facts of Cadbury (supra) : the plaintiff had made and sold bars of flaked chocolate under the name “FLAKE” for many years. Retailers which sold ice cream sold such bars inserted into ice cream cornets for immediate consumption by purchasers. The bars were known either by “FLAKE” or “99” or a combination thereof. The defendant also made bars of flaked chocolate which it sold for resale by retailers of ice cream. The plaintiff alleged that the defendant’s distributor, with the knowledge and consent of the defendant, sold the defendant’s bars to retailers who failed to comply with
instructions not to use the plaintiff’s point of sale material in relation to the defendant’s bars. In other words, the plaintiff alleged that the defendant was thereby deliberately enabling and procuring retailers to sell its bars under the plaintiff’s trade mark and as and for the plaintiff’s bars. It is important to note that the plaintiff’s complaint referred to the physical appearance of the defendant’s bars - which was alleged to be substantially the same as that of the plaintiff’s bars - and not to any get-up or marking on the defendant’s bars.

Thus, in Cadbury (supra), the plaintiff’s case for trade mark infringement and passing-off against the defendant was premised on the allegation that while the ultimate retailers committed the “actual” or “active” acts of trade mark infringement and passing-off by using the plaintiff’s point of sale material (containing the plaintiff’s trade marks) in relation to the defendant’s bars, the defendant was a joint tortfeasor with the retailers for having knowledge of and consenting to the acts of the retailers.

The above factual matrix can clearly be contrasted with the present case under discussion where the 4th and 5th defendants were said to have committed the “actual” or “active” acts of trade mark infringement by selling alleged counterfeit products bearing the plaintiff’s registered trade mark to the 1st and 2nd defendants.

The principle laid down in Cadbury (supra) and the earlier cases referred to therein, in essence, is that the mere sale in the ordinary course of business of articles which the vendor is entitled to sell is not tortuous (be it patent infringement, copyright infringement, trade mark infringement, or passing-off), even though the purchaser might subsequently use the goods wrongly (i.e. to commit any of the aforesaid tortuous acts). For example, the sale of an article which does not in itself infringe a registered trade mark [because, for example, the article does not carry any marking, such as the bars of the defendant in Cadbury (supra)] would not amount to an infringement even if the seller knows that the article would subsequently be used for infringement by the buyer [for example, where the buyer sells the product to the final consumer by using a registered trade mark of another party without authority, such as the defendant’s ice cream retailers in Cadbury (supra)] as this is merely facilitation; in order to hold the first seller liable as a joint tortfeasor with the subsequent seller, it must be proved that the former acts in concert in the infringing act of the latter.

Conclusion

The authors are of the view that this decision cannot be supported whether on the strict application of the well established principles in trade mark law or on policy considerations. The authors understood that the decision is being appealed and it is hoped that the decision will be overturned by the Court of Appeal. Otherwise, it would cause an unwanted shift in the law on trade mark infringement in Malaysia as we have known it all this while; and it would be a shift that is detrimental to trade mark owners in the country.

Distinction drawn between a registered trade mark and a trade name

Restoran Oversea Holdings Sdn Bhd v Overseas Seafood Restaurant Sdn Bhd

Facts

The plaintiff and the defendant were both in the seafood business. The plaintiff was the owner of two registered trade marks. The first trade mark consisted of 3 Chinese characters, where the first two Chinese characters meant “overseas” in English and the third Chinese character meant “sky”. The second trade mark comprised a circular image in red with the same 3 Chinese characters on top of rolling waves, artistically depicted as a ship and combined the same with the words “Restoran Oversea”.
The plaintiff alleged that the defendant had been promoting its restaurant (by the use of business cards and in advertisement) using the defendant’s business name which was identical to the plaintiff’s two registered trade marks in a manner which caused confusion and deception in the minds of the consumers.

The plaintiff claimed against the defendant for trade mark infringement. The defendant counterclaimed against the plaintiff for invalidation of the plaintiff’s registered trade marks on the grounds that the 3 Chinese characters were not distinctive of the plaintiff’s business and / or were capable of distinguishing its business at the commencement of proceedings.

The plaintiff applied to strike out the defendant’s counterclaim on the ground that the defendant was not a “person aggrieved” within Section 45, Trade Marks Act 1976.

Decision

In yet another rather surprising decision by the High Court the plaintiff’s striking out application was allowed. The High Court held that the defendant was not a “person aggrieved” within Section 45, Trade Marks Act 1976 and, hence, did not have the legal standing to institute its counterclaim under the said provision.

The High Court based its decision on the finding that the defendant was not using a “mark” but “simply a name - a business name”. The High Court relied on the definition of a “trade mark” under Section 3, Trade Marks Act 1976 read together with Section 56(1), Trade Marks Act 1976.

The authors are of the view that the decision is clearly wrong as the High Court overlooked the definition of a “mark” under Section 3(1), Trade Marks Act 1976 which includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral or any combination thereof. Further, the High Court’s reliance on Section 56, Trade Marks Act 1976 was also wrong as the said provision deals with certification marks.

Unfortunately, to add water to the seed of confusion, the High Court on its own accord struck out the plaintiff’s claim based on its inherent jurisdiction under Order 92 rule 4, Rules of Court 2012 on the basis that since the defendant was not using a trade mark but was only using its registered trade name reflecting in substance its only business of selling seafood in restaurant, there was no case for trade mark infringement. The High Court also found that the words “restaurant” “seafood” and “overseas” were common words used in ordinary parlance.

Conclusion

It is hoped that this decision will not be followed by other Courts. Otherwise, the rights of trade mark owners would be severely whittled down.
ASEAN Economic Community Portal

With the launch of the ASEAN Economic Community ("AEC") in December 2015, businesses looking to tap the opportunities presented by the integrated markets of the AEC can now get help a click away. Rajah & Tann Asia, United Overseas Bank and RSM Chio Lim Stone Forest, have teamed up to launch “Business in ASEAN”, a portal that provides companies with a single platform that helps businesses navigate the complexities of setting up operations in ASEAN.

By tapping into the professional knowledge and resources of the three organisations through this portal, small- and medium-sized enterprises across the 10-member economic grouping can equip themselves with the tools and know-how to navigate ASEAN’s business landscape. Of particular interest to businesses is the "Ask a Question" feature of the portal which enables companies to pose questions to the three organisations which have an extensive network in the region. The portal can be accessed at http://www.businessinasean.com.
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