

Intellectual Property

## Intellectual Property Case Updates - Malaysia

### **Courts Ruled on Scope of Well Known Mark Provision Under the Trade Marks Act 1976 Prohibiting Registration of A Mark Even Where the Goods of the Parties Are Not The Same**

#### ***Y-Teq Auto Parts (M) Sdn Bhd v X1R Global Holdings & Anor***

##### **Facts**

The 1st plaintiff and the 2nd plaintiff were the registered proprietor and registered user, respectively, of the following mark (“**the plaintiffs’ mark**”) registered in Class 4 for grease for belts, industrial oils and greases, fuel, fuel oil, lubricants, lubricating grease, lubricating oil, lubricants for engine treatment, motor fuel, motor oil, additives for motor oil, additives for motor fuel, motor lubricants, oil for engine treatment, automatic transmission treatment, manual transmission treatment and petrol system treatment :-



The defendant was the registered proprietor of the following mark (“**the defendant’s mark**”) in Classes 7, 9, 12 and 35, and had a pending application for the same mark in Class 25 :-



The defendant’s registrations and application were for the following goods:-

- (a) Class 7 - air filters for motorcycle engines; brake motors; clutches other than for land vehicles; diesel motors for air vehicles and water vehicles; exhaust apparatus for land vehicles; fan belts for land vehicle engines; kick starter for motorcycles; machines for the repair of vehicles; oil filters for engines; pistons belts for land vehicles; vehicles conveyors and water pumps for vehicles;

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## Intellectual Property

- (b) Class 9 - audio apparatus for vehicles; batteries for land vehicles; scientific apparatus for installation in vehicles; apparatus for connecting electrical circuit components and automotive electrical components;
- (c) Class 12 - Automobiles, motorcycles, motor and engines for land vehicles couplings and transmission components for land vehicles, shock absorbers for automobiles, suspension shock absorbers for vehicles, vehicle suspension springs, connecting rods for land vehicles, other than parts of motors and engines, vehicles suspension springs, anti-dazzle devices for vehicles, anti-glare devices for vehicles, gear boxes for land vehicles, mudguards, baby carriage brake for vehicles brake linings, brake segments and brake plates for vehicles, brake shoes for vehicle, vehicles bumpers, bumper for automobiles, bodies for vehicles, frames for vehicles, hoods for vehicles, hubs for vehicles wheels, gear for vehicles, casting carriages, casting cars, studs for tyres, automobiles tires, concrete mixing vehicles, vehicle chassis, suspensions, in particular for passenger cars and motor cycles, screw propellers, spring, dampers and shock absorbers for motor vehicles, in particular low-lying springs, sport springs, sport dampers racing dampers, horns for vehicles, tires for vehicle wheels, air vehicles, air cushion vehicles, upholstery for vehicles, windscreen, windscreen wipers, windscreen wipers, repair outfit for inner tubes, safety belts for vehicles seats, vehicles seats, seat covers for vehicles, wheels, air cushion vehicle rims for vehicle wheels, anti-theft alarms for vehicles, pumps (air pump for vehicles), curtains and sun-blind adapted for automobiles, rear view mirrors and upholstery for vehicles; and
- (d) Class 25 - Clothing, footwear and headgear.
- (e) Class 35 - Advertising; business management; business administration and office functions.

The plaintiffs filed an application in the High Court under Section 45(1), Trade Marks Act 1976 (“**the Act**”) to expunge the defendant’s registrations and application, contending that they were entries made without sufficient cause and / or were wrongly remaining on the Register of Trade Marks.

In addition to the oft-used Section 14(1)(a) of the Act which prohibits registration of a mark or part of a mark if its use is likely to deceive or cause confusion to the public or would be contrary to law, the plaintiffs relied on Section 14(1)(e) of the Act which prohibits registration of a “*mark or part of a mark*” if :-

- (a) it is well known and registered in Malaysia for goods or services not the same as to those in respect of which registration is applied for (“**the Well Known requirement**”);
- (b) use of the mark in relation to those goods or services would indicate a connection between those goods or services and the proprietor of the well known mark (“**the Connection requirement**”); and
- (c) the interests of the proprietor of the well known mark are likely to be damaged by such use (“**the Damage requirement**”).

## Decision – High Court

Notwithstanding the fact that the parties’ respective goods fell under different Classes, the High Court held that the plaintiffs had passed the threshold requirement under Section 45(1) of the Act of being “*aggrieved*” by the defendant’s registrations and application because :-

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## Intellectual Property

- (a) there was evidence showing that the plaintiffs were adversely financially affected because a third party declined to distribute their goods due to the mistaken belief that the goods originated from the defendant which was a competitor of the third party; and
- (b) there was likelihood of confusion and deception between the use of the plaintiffs' mark and the defendant's mark. Apart from the visual and phonetic similarities between the marks, the Court was also of the view that the parties' respective goods were in the same motor vehicle industry and had the same trade channels.

On the *Well Known requirement*, the High Court found that based on the criteria laid down in Regulation 13B, Trade Marks Regulations 1997 ("**the Regulations**") – which were held to be not mandatory and not exhaustive – the plaintiffs' mark was a well known mark for, among others, the following reasons :-

- (a) the public and people involved in the trade had identified the 1st plaintiff's mark with the 1st plaintiff's goods distributed by the plaintiffs. This assertion by the plaintiffs was not denied by the defendant;
- (b) the plaintiffs' mark had been used in more than 30 countries around the world, including Malaysia;
- (c) the plaintiffs' mark had been registered in Malaysia, New Zealand, Australia, Thailand, India, Brunei, Indonesia, Japan, Philippines, China, Singapore, Laos and Korea;
- (d) the plaintiffs had extensively promoted, advertised, publicized and presented goods to which the plaintiffs' mark had been applied. This assertion by the plaintiffs was not denied by the defendant; and
- (e) there was clearly value associated with the plaintiffs' mark.

On the *Connection requirement*, the High Court held that this would be satisfied if the plaintiffs could prove on a balance of probabilities any of the following circumstances :-

- (a) there was a "connection" as to the origin of the goods, i.e. use of the defendant's mark would indicate that its goods emanated from the same source as the 1st plaintiff's goods;
- (b) there was a "connection" in respect of the quality of the goods where use of the defendant's mark would indicate that its goods had the same quality as the 1st plaintiff's goods; or
- (c) there was a business "connection" where the public might perceive –
  - (i) that the plaintiffs and defendant were related companies; or
  - (ii) there was some kind of business relationship between them.

Based on the evidence adduced, the High Court found that the plaintiffs had succeeded in proving the *Connection requirement*.

On the *Damage requirement*, the High Court held that this would be satisfied when :-

- (a) the plaintiffs suffered a dilution to their goodwill in this country;
- (b) there was a loss in the sales of their goods;

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## Intellectual Property

- (c) they were restricted from expanding the use of the plaintiffs' mark to goods in Classes 7, 9, 12 and 35; or
- (d) the plaintiffs were exposed to the risk of incurring legal liability from traders and consumers who had purchased the inferior goods of the defendant in the mistaken belief that they had acquired the 1st plaintiff's goods.

Based on the evidence adduced, the High Court found that the plaintiffs had succeeded in proving the *Damage requirement* on a balance of probabilities.

Consequently, the High Court allowed the plaintiffs' application and expunged the defendant's registrations and application from the Register.

The defendant appealed to the Court of Appeal against the decision.

## Decision – Court of Appeal

The Court of Appeal dismissed the appeal and affirmed the decision of the High Court.

In essence, the Court of Appeal held that the issues arising from the appeal related to finding of facts; and that the High Court had identified the correct legal principles and applied them to the facts of the case based on the evidence adduced by the parties.

## Conclusion

The decisions have provided much welcome (perhaps even needed) judicial guidance and clarity on the applicability of Section 14(1)(e) of the Act, in particular on the Connection requirement and Damage requirement.

However, in the opinion of the authors the decisions appear to have left the issue of the scope of the words "*mark or part of a mark*" in the context of Section 14(1)(e) unanswered. For instance, would the provision apply to an impugned mark which is not identical with and is not part of the well known mark in question?

Perhaps the answer to that lies in Regulation 13A(b) of the Regulations which is arguably worded in a clearer and wider manner than Section 14(1)(e). It provides :-

"13A. The Registrar shall not register a mark or part of a mark where –

- (b) the mark or part of the mark is **identical with, or confusingly similar to, or constitutes a translation of** a mark considered well-known under regulation 13B, which is registered in Malaysia with respect to goods or services whether or not similar to those with respect to which registration is applied for, provided that use of the mark in relation to those goods or services would indicate a connection between those goods or services, and the proprietor of the registered mark, provided further, that the interests of the proprietor of the registered mark are likely to be damaged by such use;" (emphasis added)

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Intellectual Property

## Apex Court Denied Saudi Company Leave to Appeal Against Court of Appeal Decisions on Expungement of Trade Mark Registrations

### *El Baik Food Systems Co, S.A. v Al Baik Fast Food Distribution Co S.A.E.*

#### A brief recap

Readers of our October 2016 publication may recall our write-up on this case at the Court of Appeal level.

El Baik Food Systems Co., S.A (“**the Saudi Company**”) filed an action in the High Court against Al Baik Fast Food Distribution Co. S.A.E. (“**the Egyptian Company**”) to expunge trade mark registrations in the name of the Egyptian Company. The Saudi Company relied on Section 45, Trade Marks Act 1976 and contended that these registrations were wrongly registered and / or were wrongly remaining on the Register of Trade Marks because, among others, the subject mark of these registrations was confusingly similar to the trade marks of the Saudi Company which had been registered earlier in time.

In addition to defending the action filed by the Saudi Company the Egyptian Company retaliated by filing an action in the High Court against the Saudi Company to expunge the trade mark registrations of the Saudi Company under Section 46, Trade Marks Act 1976 on, among others, the ground that the Saudi Company had failed to use the subject marks of these registrations for the duration of the relevant statutory period.

#### Decisions of the High Court and Court of Appeal

The High Court allowed the action filed by the Saudi Company and ordered that the trade mark registrations in the name of the Egyptian Company be expunged. The High Court also allowed the action filed by the Egyptian Company and ordered that the trade mark registrations of the Saudi Company be expunged.

Both parties appealed to the Court of Appeal against the respective decisions against them.

The Court of Appeal allowed the appeal by the Egyptian Company and dismissed the appeal by the Saudi Company. In essence, the Court of Appeal held that :-

- (a) the Saudi Company was not a “*person aggrieved*” within Section 45, Trade Marks Act 1976 and, thus, did not have the legal standing to institute its action under the said provision because at the time of commencement of the action, the Saudi Company had not used its trade marks in Malaysia and neither did it have a genuine and present intention to do so; and
- (b) based on the same finding of fact, namely the Saudi Company had not used its trade marks in Malaysia for the duration of the relevant statutory period, its trade mark registrations ought to be expunged.

The Saudi Company applied to the Federal Court (the apex Court in Malaysia) for leave to appeal against the decisions of the Court of Appeal (“**the Leave Applications**”).

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Intellectual Property

**An Update – Decisions of the Federal Court**

The Leave Applications were recently heard together and dismissed by the Federal Court. At the time of writing no grounds of judgment have yet been provided by the Federal Court.

**Note :**        **The authors acted for the Egyptian Company at the High Court, Court of Appeal and Federal Court.**

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### ASEAN Economic Community Portal

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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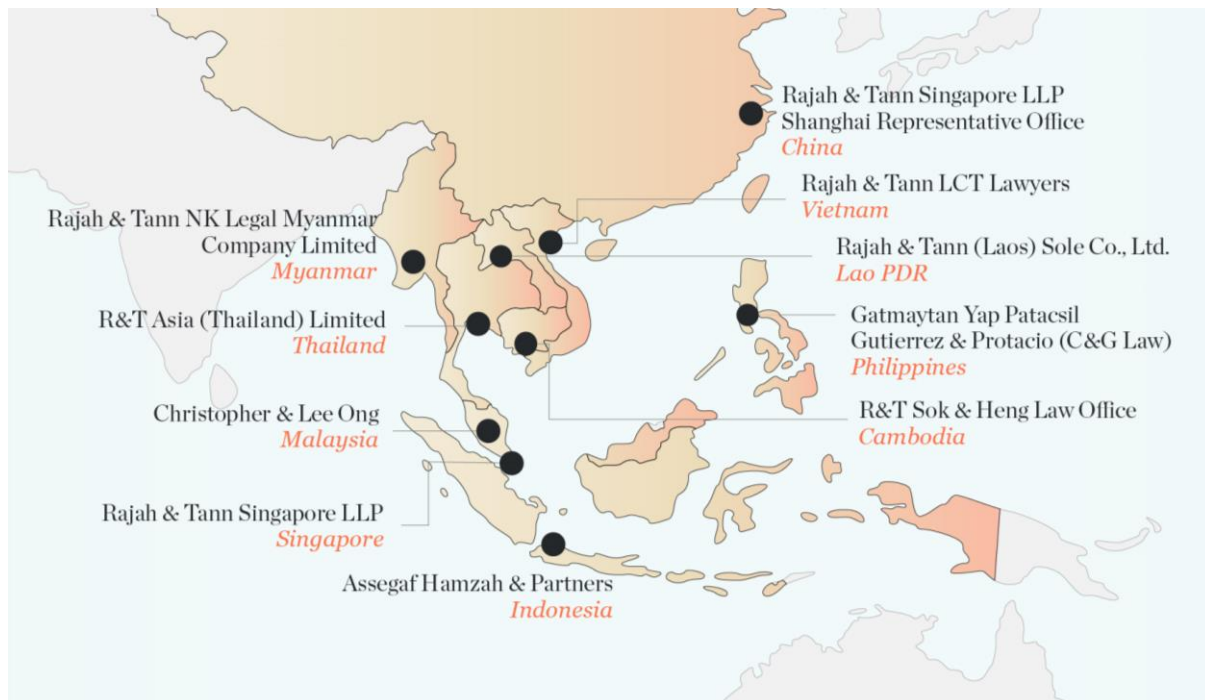


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# Client Update: Malaysia

## 2017 MARCH

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