

Malaysia

Recent developments in intellectual property

Over the past year the courts have considered a myriad of IP issues, contributing to the advancement of IP law and practice in Malaysia. This chapter highlights several interesting cases, two of which involved international marks.

McDonald's loses exclusive right to 'Mc' prefix

In September 2006 the Kuala Lumpur High Court ruled that fast-food company McDonald's had an exclusive right to use the prefix 'Mc'. The court ordered McCurry Restaurant to stop using the prefix as part of its trade name and awarded damages and costs to McDonald's. However, on April 29 2009 the Court of Appeal overturned the high court's decision. The appeal court held that McCurry did not misrepresent itself or confuse the public when carrying out business under the name 'Restoran McCurry'. The court noted the following distinguishing features in how the two parties conducted their business:

- The McDonald's logo consists of a distinctive 'M' shaped as golden arches with the word 'McDonald's' in the background, while McCurry's sign comprises the words 'Restoran McCurry' in white and grey lettering on a red background, with a picture of a chicken giving the thumbs-up and the phrase 'Malaysian chicken curry'.
- The food sold by McDonald's carries the prefix 'Mc', while the food sold by McCurry does not.
- McCurry serves only Indian food, while McDonald's serves fast food.
- The majority of McCurry's patrons are adults and senior citizens, while McDonald's is mainly patronised by children.

The appeal court held that the high court had overlooked these material facts when ruling in favour of McDonald's. It further held that based on the evidence, the inference to be drawn was that reasonable people seeing the McCurry's sign would not be misled into believing that McDonald's was associated with McCurry.

The appeal court also held that McDonald's had no monopoly over the use of the prefix 'Mc', and that McDonald's had failed to establish that McCurry had committed the tort of passing off. McDonald's applied for leave to appeal to the Federal Court. According to *TheStar Online*, the two questions for the Federal Court to consider were:

- whether, once the prefix 'Mc' was used by McCurry, the public would associate McCurry with McDonald's; and
- whether usage of 'Mc' would reduce the importance of 'Mc' to McDonald's.

On September 8 2009 the Federal Court unanimously dismissed McDonald's application on the grounds that the questions for consideration were not related to the appeal court's findings and hence did not satisfy the requirements for leave to appeal to the Federal Court under Section 96 of the Courts of Judicature Act 1964.

McLaren loses Federal Court appeal

The Federal Court considered the issue of what constitutes an 'aggrieved person' for the purposes of rectifying the Trademarks Register in *McLaren International Limited v Lim Yat Meen* ([2008] 1 CLJ 613).

The respondent has owned the trademark MCLAREN in Class 25 in respect of "articles of clothing, including boots, shoes and slippers" since 1992. In 1999 the appellant, claiming to be the *bona fide* owner of the MCLAREN trademark, filed an application for the mark in respect of "articles of clothing, footwear and headgear" in Class 25. The trademarks registrar rejected the application on the grounds that the appellant's mark was either identical to the respondent's registered trademark or so similar that it would be likely to deceive or cause confusion.

Consequently, the appellant sought an order to expunge the respondent's mark from the Trademarks Register, or alternatively an order to vary the entry by deleting the words 'articles of clothing, including'. The

application to expunge was made under Sections 45(1)(a) and 46(1) of the Trademarks Act 1976. In order to invoke these sections, an applicant must show that it is 'a person aggrieved' within the meaning of the act. The appellant failed to do so at the high court and the Court of Appeal.

The appeal court also held that even if the mark was knowingly appropriated by the respondent, this was not illegal. No additional burden should be placed on the respondent to check whether a foreign company is claiming rights over the mark, provided that the applicant has not used the mark before the respondent's registration in Malaysia.

The appellant was granted leave to appeal to the Federal Court on the following questions:

- whether a party whose application to register a trademark is obstructed under Section 19 of the act by the prior registration of an identical or similar mark on the Trademarks Register is an 'aggrieved person' under Sections 45 and 46; and
- whether, in the face of evidence of non-use of a registered mark in relation to only some of the registered goods, such goods may be rectified by their removal or expunged pursuant to Sections 45 and 46.

On the first question the Federal Court overruled the decision of the high court in *Fazaruddin bin Ibrahim v Parkson Corp Sdn Bhd* ([1997] 4 MLJ 360), and held that a party whose application for trademark registration is merely jeopardised by Section 19(1) of the act cannot qualify as a person aggrieved. The Federal Court relied on the decision of the Singapore High Court in *Re Arnold D Palmer* ([1987] 2 MLJ 681), which held that if an applicant for rectification has no original trading interest in the goods concerned, the mere filing of an application cannot confer the necessary standing on the applicant for the purpose of rectifying proceedings.

The Federal Court proceeded to state that were the appellant to succeed in this appeal on the question of standing, it would allow the appeal, but only to the extent of granting the alternative request to delete the words 'articles of clothing, including' from the respondent's registration.

The Federal Court has raised the threshold of what constitutes an 'aggrieved person'. This may be unfavourable to foreign proprietors which have yet to use their marks in Malaysia but have filed applications to register their marks.

Trade description order set aside

In *Thye Huat Chan Sdn Bhd v Thye Shen Trading Sdn Bhd* ([2008] 6 MLJ 99) the applicant was the registered proprietor of two trademarks, the first registered for

rice and sago flours and the second for rice, sago and tapioca flours. The applicant alleged that the respondents had infringed its trademarks by selling tapioca starch bearing a confusingly similar mark.

The applicant applied for an *ex parte* trade description order under Section 16 of the Trade Descriptions Act 1972. The court held that, on a comparison of the applicant's marks and the mark on the alleged infringing goods, the applicant's second mark was infringed. Accordingly, the court granted a trade description order on the grounds that a registered trademark was being infringed in the course of trade within the meaning of the Trademarks Act 1976.

Following grant of the trade description order, the applicant filed a draft order in accordance with the terms granted by the court. The wording of the draft order was amended by the registrar to state that get-ups were being infringed, rather than a registered mark. The draft order amended and approved by the registrar was not in the terms granted by the court. The court stated that the applicant's solicitors should have noticed and corrected this error.

The court observed that a trade description order creates an offence in that an act that may not be capable of being proved to be an offence (eg, applying a false trade description to goods) can be proven by relying on the trade description order.

Pursuant to the trade description order, the enforcement officers seized goods from the respondent's premises. The respondent applied for the trade description order to be set aside. The trade description order was set aside by the court on the following technical grounds:

- The trade description order was in a form not granted by the court and was therefore invalid.
- Photographs of the infringing trademark were merely attached to the trade description order and the infringing marks were not described in the order. Relying on an earlier Court of Appeal decision, the court held that the order was invalid as it did not describe the infringing marks.
- The applicant failed to make full and frank disclosure when applying for the trade description order. It did not disclose the fact that it was aware that the respondent and other traders had been importing and selling tapioca starch bearing its trademark and that it had sent cease-and-desist letters to them. The court stated that if the respondent's particulars had been disclosed, it would have ordered the application for the trade description order to be served on it.

The court observed that seizure of the respondent's

goods and prosecution could have been avoided if the application had been dealt with *inter partes* from the start. The trade description order was set aside on technical grounds with damages to be assessed and costs.

Court of Appeal overturns orders for discovery

On June 5 2009 the Court of Appeal delivered its grounds of judgment in *Nguang Chan v Hai-O Enterprise Bhd* (Court of Appeal Civil Appeal W-02-541-2001) and *Nguang Chan v Hai-O Enterprise Bhd* (Court of Appeal Civil Appeal W-02-542-2001). The appeals were filed against orders issued by the High Court directing the appellants to produce certain documents.

Appellants Nguang Chan and Nguang Chan (M) Sdn Bhd commenced an action against Hai-O Enterprise Bhd at the high court claiming relief for alleged defamation, malicious prosecution and unlawful interference with business in respect of their business selling Chinese wine arising from the importation or sale of alleged infringing medicated wine manufactured in China. Two years later, the respondents filed an action against the appellants for passing off and trademark infringement for distributing and selling alleged counterfeit Chinese wine.

During the trial in 2000 the respondent applied for an order under Order 24, Rule 11 of the Rules of the high court in the second action, requiring the appellants to produce documents evidencing the import of 1,500 cartons of alleged counterfeit Chinese wine purportedly in their possession. The basis of the application was that the appellants' draft witness statement made reference to the purchase or import of the cartons. The respondent also filed an application in the first action seeking an order that the appellants produce for inspection, purchase or import documents dated after April 1994 relating to the brand of Chinese wine referred to in one of the appellants' affidavits affirmed in 1995.

The appellants claimed that:

- the documents sought by the respondents in the second action either did not exist or, if they did exist, were not in their possession and hence could not be produced; and
- they had furnished all documents on importation of the Chinese wine from 1992 to 1995.

The high court allowed the applications and the appellants appealed. In allowing the appeals, the appeal court applied the following principles governing discovery:

- The court approved and followed *Dubai Bank Ltd v Galadari* ([1990] 2 AER 738), which held that the phrase 'reference to' means making a direct allusion to a document, and *Rafidain Bank v Agom Universal Sugar Trading Co* ([1987] 3 AER 859), which held that

although the court has jurisdiction to order discovery of documents referred to in a party's pleadings and affidavits, the absence of such documents could amount to grounds for the court to choose not to exercise that jurisdiction.

- The court observed that an order for production will not be made unless the court believes that such order is necessary to a fair hearing or to cost savings. It is for the party seeking production to prove that such production is necessary. The court will not allow an application for discovery which is merely a fishing expedition or, when allowing discovery would be unduly oppressive.
- The court held that there was no direct allusion to any document in the draft witness statement and no basis to equate an unsigned draft witness statement, marked 'subject to approval', with a pleading or affidavit filed in court.
- With respect to the application based on documents allegedly referred to in the affidavit, the court held that the onus was on the respondent to prove that all the import documents were in the appellants' possession, which it failed to do. The respondent also failed to refer to any specific document or the dates of those documents, and there was no direct allusion to any documents in the affidavit. The court held that an order for discovery in this case would be oppressive and prejudicial as the appellants were required to perform an impossible task.

The court concluded that the test to be satisfied by an applicant for discovery is one of necessity and not fairness. If necessity is not the prime concern, allowing discovery would be tantamount to allowing the respondent to fish for evidence.

Descriptive marks

In *Titan (M) Sdn Bhd v Registrar of Trademarks* ([2009] 7 CLJ 338) Titan appealed against the registrar's decision to reject its application for the mark SURE-LOC with the device of a lock on the letter 'o' for "ironmongery, door locks, cylindrical locks, rim locks, latches, padlocks, floor springs of metal, hinges, door handles, pull and push bars and plates of metal". In the decision the registrar noted the following:

- A mark may be registered as a trademark in Malaysia provided that the mark satisfies one of the five criteria in Section 10(1) of the Trademarks Act 1976, which are to be read and applied disjunctively.
- Sections 10(1)(a) and (b) were not applicable since the mark was not the name of an individual, company or firm and is not a signature.

- The mark was not an invented word under Section 10(1)(c) since it consisted of ordinary words.
- The mark refers directly to the goods sold under the mark contrary to Section 10(1)(d).
- The mark is not distinctive under Section 10(1)(e) and has not obtained secondary meaning.

In dismissing the appeal the high court considered each criterion under Section 10(1) and was satisfied that the registrar's decision was correct.

In particular, the court held that the word 'sure' is a common term in Malaysia with positive connotations. It is also frequently used in Bahasa Malaysia, the national language. Therefore, the mark SURE-LOC would indicate to the public that the appellant's goods could secure a lock. The court also found that the appellant's goods were clearly related to a securing apparatus used to secure, fasten or lock something up; hence the mark consisted words having direct reference to the character of the appellant's goods.

The high court held that descriptive words could not be distinctive unless such words had acquired secondary meaning. Secondary meaning can be acquired only in the course of dealing over many years. The high court found that the appellant failed to prove that its mark had acquired secondary meaning since the appellant had merely furnished evidence of sales, invoices and advertisements which did not show that the public associated the mark with the appellant's goods or that the mark had acquired secondary meaning.

The appellant also argued that its mark had acquired factual distinctiveness as the appellant had successfully registered its mark in Singapore. However, the high court held that trademark registrations are territorial in nature and the Singaporean registration was not binding in Malaysia.

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