

Malaysia

Survey evidence and generic marks: the Malaysian position

This chapter looks at the issues surrounding the admissibility and probative value of survey evidence in trademark litigation and the test to determine whether a mark has become generic.

Survey evidence

Survey evidence has become common in infringement and passing-off actions, although the probative value of such evidence remains contentious. Such evidence is almost always challenged and rejected as being fundamentally flawed. Unlike in the United States, where it is relatively common for defendants to conduct independent market surveys to establish that there is no likelihood of confusion, in Malaysia it is usually the plaintiff that commissions such surveys. Plaintiffs that can afford to finance such exercises are drawn to the perceived value of market surveys undertaken by independent market researchers and private investigators in establishing confusion or likelihood of confusion. The cost of conducting a market survey in Malaysia is relatively reasonable in light of the results produced from such surveys.

In actions for rectification of the Trademarks Register – in particular for cases where the reason for rectification is non-use – survey evidence is central to a plaintiff's suit. It is imperative that a rectification action based on non-use be filed one month after the last interview is conducted by the market researcher to ensure that the statutory period of non-use is satisfied (ie, that there has been no use of the mark at issue for a continuous period of three years up to one month before the date of application of the rectification proceedings).

Over the years the courts have consistently approved and followed judicial principles laid down in decisions of the UK courts and the courts of Commonwealth countries such as Australia and New Zealand when confronted with market survey evidence. The following cases examined some of the legal principles involved in the admissibility of survey evidence and its probative

value, and their recent application by the Malaysian High Court.

Guidelines on admissibility and probative value of survey evidence

One of the early leading cases on survey evidence in Malaysia is the Court of Appeal decision in *Lim Yew Sing v Hummel International Sports & Leisure A/S* ([1996] 3 MLJ 7). In *Lim Yew Sing* the Court of Appeal was faced with market survey evidence commissioned by the plaintiff to establish that the reputation and goodwill of the mark HUMMEL belonged to or was associated with it. The court made several observations on the market survey evidence. It noted that:

- the precise instructions given by the plaintiff's solicitors to the surveyors were not in evidence;
- the heading "HUMMEL and device – research study" did not positively establish whether the trademark being investigated was HUMMEL (M), the offending mark, or HUMMEL (D), the plaintiff's mark;
- the survey was not signed; and
- the persons who conducted the survey were not identified.

The court stated that since the survey was challenged, it was incumbent upon the plaintiff to prove its contents by calling the market researchers as witnesses. Since they were not called to prove the survey, it was considered to be hearsay and was therefore inadmissible as evidence. The court further said that if a survey is to be of any use, it must fairly reflect the factual position at the time when the application to expunge was made. In this regard, the court found that when the survey was conducted (between May 1991 and October 1991) there was no evidence that the respondent's products with the HUMMEL (D) mark were being sold or advertised in Malaysia. Consequently, the market researchers could

not have asked their interviewees whether they thought a particular shoe or sports shirt bearing the HUMMEL (D) mark was manufactured by the respondent in Malaysia or another party, since the interviewees would not have been shown the actual products.

The court stated that even if the authorship of the survey is proven to be valid, the survey evidence must still meet the minimum criteria spelled out in *Imperial Group plc v Philip Morris Ltd* ([1984] RPC 293); it concluded that in this case that the minimum criteria were not met.

The Court of Appeal clearly identified and dealt with two distinct questions: the admissibility of market survey evidence and the probative value of such evidence. In practice, counsel have a tendency to blur these two questions in argument.

Recently, the High Court applied the criteria laid down in and followed by the Court of Appeal in *Lim Yew Sing to Sanbos (M) Sdn Bhd v Tiong Mak Liquor Trading (M) Sdn Bhd* ([2008] 3 MLJ 100) and *Consitex SA v TCL Marketing Sdn Bhd* ([2008] 3 MLJ 574).

In *Sanbos* the plaintiff adduced market survey evidence in an attempt to show possible deception and confusion more than 15 months after filing its application for an interlocutory injunction for trademark infringement and passing off. The court reiterated the guidelines in *Imperial Group plc* and held that in order for market survey evidence to be admissible, the following guidelines, among others, must be observed:

- The interviewees must be selected so as to represent a relevant cross-section of the public;
- The size must be statistically significant;
- The survey must be conducted fairly; and
- All the surveys carried out must be disclosed, including:
 - the number carried out;
 - how they were conducted; and
 - the total number of the persons involved.

The minimum criteria set out in *Imperial Group plc* were intended to assist in ascertaining the probative value of market survey evidence (ie, its validity), and not its admissibility as evidence in court. The question of whether market survey evidence is admissible must necessarily be guided by the rules of evidence, which would include a consideration of whether the actual material upon which the market survey seeks to be admitted is hearsay. It will be hearsay, and thus inadmissible, if the object of the evidence is to establish the truth of what is contained in the statement. In *Customglass Boats Ltd v Salthouse Brothers Ltd* ((1976) 22 RPC 589) this subject was addressed by the court which,

in the course of examining US authorities on the subject, held that such evidence was not hearsay and that even if it did fall within the technical concept of hearsay evidence (ie, statements made out of court), it would still be admissible as an exception to the hearsay rule because the object of such evidence was to exhibit the existence of a particular state of mind shared by a designated class of person and not the truth of those statements. This exception to the hearsay rule may be found in various judicial *dicta* of high authority in Malaysia. It was also opined in this case that such evidence was necessary as it was relevant to establish a particular state of mind and was the best possible evidence available to show such a state of public opinion (and preferable to a parade of witnesses or any other substitute purporting to represent the public). The *Customglass Boats Ltd Case* has been approved and followed by the Malaysian courts.

In *Sanbos* the court further added that the results of a market survey will be of no value if it is not sufficiently well designed and the answers are not sufficiently well analysed. In this case it was held that the survey evidence suffered from fundamental defects as it failed to comply with the minimum criteria laid down in the *Imperial Group plc Case* and thus had no probative value. Some of the defects noted by the court were that:

- the survey was not conducted among relevant persons or a relevant cross-section of the public;
- the questionnaires did not have the date and time of the interview and some were not signed and not answered;
- the interviewees were not shown the plaintiff's products; and
- the questions were leading questions.

In *Consitex SA* the plaintiff had similarly adduced market survey evidence to strengthen its case on confusion within the industry and the public between its own mark and the defendant's mark. The market survey was conducted some five months before the trial commenced and around four years after the suit was filed. In this case the court also rejected the market survey evidence and made several observations as follows:

- The questions were mostly leading questions and were biased;
- There was no accurate or verbatim recording of the answers;
- None of the interviewees were called as witnesses although some had agreed to be witnesses; and
- The questions were in English.

Regarding the complaint that the questions were in English, the court stated that a majority of Malaysians do not use English as their first language and hence it is highly likely that the interviewees might not have understood the questions clearly or at all. On the issue that none of the interviewees were called as witnesses although some had agreed to be witnesses, the court added that it would draw an adverse inference against the plaintiff for failure to call these interviewees to testify.

Conclusion

It would appear from recent High Court decisions that in order for market survey evidence to be admissible and have significant probative value, strict adherence to the criteria laid down in *Imperial Group plc* is crucial. More importantly, all the parties involved, including the client, solicitors, market researchers and questionnaire designers, must work together to ensure that the market survey is conducted in a meaningful manner.

Generic marks

Well-known marks are at a higher risk of becoming generic. Once a mark has become the usual designation for the designated goods or services, it loses its distinctiveness and is no longer capable of distinguishing the goods of one company from those of another. The fact of a trademark becoming generic is detrimental to the trademark owner's rights because once the mark is removed from the Trademark Register, it may be used freely by other businesses and all former investments in the promotion of the mark will be worthless.

Many owners of well-known marks do everything they can to prevent their marks from becoming generic. However, there is uncertainty as to how much a trademark owner must do in order to protect its mark from becoming generic. There are also no statutory provisions governing generic marks in Malaysia and the Malaysian courts have yet to decide on this issue. Hence, this chapter now examines the laws on generic marks in other jurisdictions and proposes a position to be considered and adopted by the Malaysian courts when dealing with this issue.

The European position

Under UK legislation, in order to succeed in an action for revocation on the grounds that a mark has become generic, it is necessary to prove not only that the mark has become the name by which the product is currently known, but also that it has become so as a result of the activity or inactivity of the mark owner. The common name for the goods or services may be established through

all types of publication and through all types of medium.

In 2002 in *Sony Europe v Time Tron Corp* the Austrian Supreme Court revoked Sony's famous mark WALKMAN on the grounds that it had become the general name for portable cassette players with headphones.

Recent decisions in France (eg, in *Bardinet SA v Bela T Desprat SCP* regarding the PINA COLADA mark and in *Creks v Jenken* regarding the VINTAGE mark) show that the courts require the trademark owner to be highly responsive to avoid revocation due to common use in the marketplace. Therefore, trademark owners must be vigilant and take all necessary defensive and protective measures to prevent their marks from becoming generic.

The European courts appear to be very demanding of trademark owners, which must often incur considerable expenses to protect their marks from becoming generic. The European courts have considered the following actions to constitute measures taken to prevent a mark from becoming generic:

- regularly checking how the mark is being used by third parties (competitors as well as the public and the media) and taking steps to prevent misuse;
- regularly checking dictionaries and taking appropriate steps to ensure that where the word appears, it is correctly shown as a trademark;
- taking care to ensure that the owner's own use of the trademark is not open to challenge;
- running advertising campaigns to educate people in the correct usage of the mark;
- keeping a systematic watch on the mark to disclose any new trademark applications likely to create a risk of confusion;
- monitoring the Internet for any use of the mark;
- encouraging distributors, licensors or partners to be vigilant so that they inform the trademark owner of any generic use of the mark;
- affixing the phrase 'registered trademark' or the symbols™ or ® after the mark which would draw the attention of third parties to the existence of exclusive rights attached to the mark;
- sending warning letters to newspapers, magazines, publishers of literary works, websites and dictionaries that use the mark generically, requesting that the relevant amendments be entered so as to indicate clearly that the term of concern is a registered mark, not a common name;
- requesting search engines to delete keywords reproducing the mark on the Internet;
- publishing amendments, notices, rectifications or warnings stressing that the term at issue is not a common name, but a registered trademark;

- filing oppositions against any trademark application likely to impair the rights attached to the mark by making it a common word; and
- launching any necessary infringement action should the warning letters be ineffective.
- The mark must have become the common name of the product or service for which it is registered; and
- The mark must have become the common name due to acts or omissions of the trademark owner.

The Singaporean position

In *Wing Joo Loong Ginseng Hong (Singapore) Co Pte Ltd v Qinghai Xinyuan Foreign Trade Co Ltd* ([2008] SGHC 51) the Singapore High Court held, following a review of the facts and the balancing of different interests, that the registration of the ROOSTER mark should be upheld. The judge noted as follows:

- The phrases ‘ROOSTER brand cordyceps’, ‘ROOSTER mark cordyceps’ and ‘ROOSTER cordyceps’ were understood to refer to Chinese cordyceps, whether supplied by the first defendant or by other Chinese sources. However, the term ‘ROOSTER’ by itself, without reference to cordyceps, did not have that effect and the ROOSTER mark or brand was not synonymous with cordyceps.
- There was un rebutted evidence that at the time of the application for registration in Singapore in 1995, the ROOSTER mark was used in Singapore on cordyceps of other suppliers in addition to the first registered owner, and therefore that the ROOSTER mark was not a trademark as it did not distinguish the owner’s cordyceps from those of other suppliers which used the same mark. Thus, the registration could be invalidated.
- When the mark was first registered in Singapore in 1995, the application was open to opposition by provincial suppliers and other parties on the basis that the owner did not have the exclusive right to the mark. If proper opposition had been filed, the application might not have been approved.
- The relevant circumstances for exercising the power to revoke include:
 - the triggering factor;
 - the conditions at the time of the application to revoke; and
 - the balance of the interests involved.

The conduct of the applicant could also be a relevant factor where there was discretion whether to revoke or invalidate a registration.

The proposed Malaysian position

The Malaysian courts may consider adopting the European position whereby two conditions are necessary for the mark to be revoked:

The Malaysian courts may also adopt the factors considered by the European courts in determining the measures to be taken by trademark owners to prevent marks from becoming generic.

However, with regard to how aggressive a trademark owner should be in protecting its mark, considering Malaysia’s social, culture and economic background, the approach taken should be less aggressive than that taken in Europe, as the Malaysian people are generally non-litigious in nature and are normally hesitant to incur large costs in regard to IP rights.

In *Tiga Gajah Cho Heng Sdn Bhd v Majuperak Tepung Beras Sdn Bhd* ([1997] 4 MLJ 504) the court held that “even if the entry of the applicant’s trademark was bad, wrong or ought not to have been made, in the exercise of the discretion of the court, the applicant’s registered mark would remain based on the following factors, namely:

- the applicant and its predecessor had acted in good faith;
- they had a genuine interest in the trademark;
- the trademark had been used from 1973 to date;
- the applicant had relied on the registrar’s acceptance of its request for amendment;
- there was no evidence that anyone had been deceived or was likely to be deceived; and
- it was not in the public interest to rectify the mark as the public had been accustomed to the mark for over 20 years.”

Thus, the Malaysian courts appear ready to exercise their discretion when dealing with removal of a generic mark, taking into consideration public policy and the balance of interests. This is consistent with the Malaysian government’s effort to encourage its people to be more vigilant in protecting their IP rights.

The Malaysian court may have the opportunity to deal with the issue of generic marks in *Syarikat Wen Ken Drug Sdn Bhd v Chong Park Medical Hall Sdn Bhd*, in which the plaintiff is seeking invalidation of the first defendant’s RHINOCEROS trademark on the grounds that the RHINOCEROS mark is commonly used by other traders for water-cooling products. The first defendant is likely to rely on the decision in *Wing Joo Loong* as the facts of the two cases are substantially similar. The Malaysian High Court is expected to deliver its judgment in 2009.

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