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Intellectual Property Case Updates - Malaysia

Cancellation of Registered Trade Mark for Non-use : No Burden On Registered Proprietor To Prove Use Until and Unless a *Prima Facie* Case of Non-Use Has Been Established


Lidayway Marketing Corporation v. Oishi Group Public Co Ltd

A brief recap

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

The respondent, Oishi Group Public Company Limited (“Oishi”), had been exporting its products such as aerated water, fruit juices, ready to-drink green tea and carbonated drinks to Malaysia under the trade mark



Oishi filed an application to register its trade mark under Class 32 but the application was objected to by the Registrar of Trade Marks on the ground that the trade mark was similar to the trade mark  of the appellant, Lidayway Marketing Corporation (“**Lidayway**”), which was registered in a number of Classes.

Oishi applied to the High Court to expunge the trade mark registrations of Lidayway under :-

- (a) Section 45, Trade Marks Act 1976 by contending that the registrations were wrongly registered and / or were wrongly remaining on the Register of Trade Marks because the word “OISHI” (i) is a Japanese surname; (ii) has a direct reference to the character or quality of the goods and services in question; and (iii) has a well known dictionary meaning; and
- (b) under Section 46, Trade Marks Act 1976 by contending that Lidayway had failed to use its trade mark in respect of the goods and services in question for the duration of the relevant statutory period.

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Decisions of the High Court and Court of Appeal

The High Court agreed with the contentions of Oishi and ordered Liwayway's trade mark registrations to be expunged. It was held that, among others, the fact Liwayway temporarily suspended the sale of goods bearing its trade mark sometime in 2009 to enable it (Liwayway) to obtain *halal* certification was not due to an "abnormal external event" but a commercial choice and, thus, the non-use was not due to special circumstances.

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

An update – decision of the Federal Court

In a recent decision delivered by the Federal Court (the apex Court in Malaysia), Liwayway's appeal against the decision of the Court of Appeal was allowed.

In essence, the Federal Court held that until and unless an applicant for cancellation proceedings based on non-use has established a *prima facie* case of non-use, there was no burden on the registered proprietor to adduce evidence of use of the mark on any of the goods for which the mark was registered.

Applying the said principle, the Federal Court found that there was no burden on Liwayway to adduce evidence of use of its mark in Malaysia because the survey evidence on the purported non-use of the mark relied on by Oishi was defective. For instance, it was found that the survey evidence was only in respect of some of the goods covered by the impugned registrations; and the survey did not cover the requisite continuous period of 3 years up to 1 month before the date of the cancellation application as required under Section 46(1)(b).

It is also important to note the Federal Court further held that even if the survey evidence complied with all the guidelines or safeguards laid down by earlier case law, it would not automatically mean that the burden of proof for non-use has been discharged. The Court must go on further to consider and evaluate the sufficiency and weight to be attached to such evidence.

Conclusion

The decision of the Federal Court serves as a timely reminder to interested parties (including practitioners) that care must be taken in devising and executing a plan for gathering evidence for non-use, in particular where it is to be done by way of survey. Intimate knowledge of the guidelines or safeguards laid down by case law is a must.

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IT May No Longer Be Necessary to Serve Cause Papers Out of Jurisdiction on Foreign Trade Mark Proprietors

Louis Vuitton Malletier v. Renown Incorporated

Facts

Renown Incorporated (“**Defendant**”), a Japanese entity with no office or business in Malaysia, was the registered proprietor of the “ZEPHYR” mark (“**ZEPHYR Mark**”) bearing Trade Mark Registration No. 95010243 for goods in class 25 with effect from 28th September 1995. In the Defendant’s trade mark application in respect of its ZEPHYR Mark, the Defendant had given the Registrar of Trade Marks (“**Registrar**”) the following addresses:-

1. the Defendant’s address in Japan, 8-8-20, Nishi-Gotanda, Shinagawa-ku, Tokyo, Japan (“**Defendant’s Foreign Address**”); and
2. an address of service at Drewmarks Patents & Designs (Malaysia) Sdn. Bhd., 9th floor, Bangunan Getah Asli, 148, Jalan Ampang, 50450 Kuala Lumpur (“**Defendant’s Address with Registrar**”).

Louis Vuitton Malletier (“**Plaintiff**”), an international fashion house, applied for the expungement of the Defendant’s registered ZEPHYR Mark from the Register of Trade Marks under Section 46(1)(b) of the Trade Marks Act 1976 (“**TMA**”) on the ground that the Defendant had not used the Defendant’s ZEPHYR Mark in good faith in Malaysia.

The Plaintiff had initially served the cause papers on the Defendant’s Address with Registrar, but due to the insistence of the learned High Court judge - who was of the view that in light of the applicable provisions of the Rules of Court 2012 the said papers were required to be served on the Defendant’s Foreign Address- the Plaintiff had subsequently served the documents on the Defendant’s Foreign Address after obtaining leave of the Court to do so. After being served with the cause papers, the Defendant wrote to the Plaintiff informing that it had not used the Defendant’s ZEPHYR Mark in Malaysia and would not oppose the Plaintiff’s expungement application.

Decision

The Plaintiff’s application was allowed by the High Court due to the fact that the Defendant had admitted non-use and did not oppose the application.

After allowing the application, the Court revisited the issue of whether cause papers for legal proceedings instituted under the TMA could be validly served on a registered proprietor who does not reside or carry on business in Malaysia by serving the documents on the local address given to the Registrar of Trade Marks which is the address of the local trade mark agent of the registered proprietor.

The learned Judge relied on the following provisions: (i) Section 79(1) TMA which provides that where an applicant for registration of a mark does not reside or carry on business in Malaysia, the applicant “*shall give to the Registrar an address for service in Malaysia which shall be the address of his agent*”; (ii) Section 79(5) TMA which provides that the Defendant’s Address with Registrar “*shall for all purposes under [TMA] be deemed to be the address of the registered proprietor*”; (iii) Regulation 10(1) of the Trade Marks Regulations 1997 (“**TMR**”) which provides that, *inter alia*, that an applicant who does not reside or carry on business in Malaysia “*shall file Form TM1 giving an address for service in Malaysia*” and the applicant’s address for service in the Register “*may be treated as the actual address*” of the applicant “*for all purposes connected with the matter in question*”; and (iv) Regulation 10(5) TMR which provides that any “*written communication addressed to a person at an address given by him or treated by the Registrar as his address for service shall be deemed to be properly addressed*”. In view of the wordings in the

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above 4 provisions, the learned Judge held that Order 1 rule 2 and Order 11 rule 9(1) of the Rules of Court 2012 would not be applicable, and it would be sufficient for the cause papers to be served on the Defendant's Address with the Registrar.

Conclusion

Notwithstanding the fact that the views expressed by the High Court on the validity of the mode of service are essentially *dicta*, they have possibly opened the door for such method to be used in future cases.

As the learned Judge himself acknowledged, the authors are of the view that this decision may be "dangerous" and unfair to foreign registered proprietors and applicants as service on local agents may cause injustice to the foreign proprietors and applicants such as the Defendant in the above suit, where these parties may not have been aware of any notice of court service that may affect them, or a judgment in default of appearance may have been entered against them without them being aware and/or notified of the same.

It is perhaps telling that the learned Judge himself said toward the end of his judgment that : "*a prudent plaintiff may still resort to O 11 r 9(1) [Rules of Court 2010] and apply for leave of court to serve the [Originating Summons] out of the jurisdiction of Malaysian court.*" It would appear that the learned Judge seemed to have doubt as to his views and reasoning on the validity of the mode of service and, hence, this statement raises the question as to what "*prudent*" means. Further, the statement contradicts his earlier view that Order 11 rule 9(1) of the Rules of Court 2012 "*cannot apply*"; how is it possible that a "*prudent*" plaintiff "*may still resort to*" the provision if that same provision "*cannot apply*"??

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An Individual May Be Personally Liable for a Company's Infringement of a Registered Trade Mark Under the Trade Marks Act 1976

Chanel v. Melwani² International Sdn Bhd, Lachmandas Ishwarlal Melwani & Ang Chong Leng (heard together with 3 other matters)

Facts

In the four (4) suits, the plaintiff companies ("**Plaintiffs**") were proprietors of registered trade marks for various goods in classes 3, 9, 14, 18, 24, 25 and 35 ("**Plaintiffs' Registered Trade Marks**"). The First Defendant ("**1st Defendant**") was a company; the Second Defendant ("**2nd Defendant**") was an Indian national who was a director and owner of 78% shares in the 1st Defendant; and the Third Defendant ("**3rd Defendant**") was an individual who was a director and owner of 17% shares in the 1st Defendant. The 1st Defendant, albeit not the Plaintiffs' authorized distributor or retailer, sold goods bearing the Plaintiffs' Registered Trade Marks ("**Infringing Goods**") at the 1st Defendant's business premises ("**1st Defendant's Premises**"). The Plaintiffs' representatives purchased the Infringing Goods, and the 1st Defendant's premises were raided by the Ministry of Domestic Trade, Co-operatives and Consumerism whereby the Infringing Goods were seized.

The Plaintiffs initially filed the four (4) suits ("**4 Suits**") against the 1st to 3rd Defendants based on the infringement of the Plaintiffs' Registered Trade Marks under Section 38(1)(a) of the Trade Marks Act 1976 ("**TMA**"). The Plaintiffs further filed four (4) applications for summary judgment against the 3rd Defendant ("**Applications**") and thereafter applied to amend the Applications to apply for summary judgment against all the Defendants ("**4 Amended Summary Judgment Applications**"). As such, the 4 Suits and 4 Amended Summary Judgment Applications sought to pierce the 1st Defendant's corporate veil so as to impose personal liability on the 3rd Defendant for the 1st Defendant's infringement.

The main question in these cases was whether an individual may be personally liable for a company's infringement of a registered trade mark under Section 38(1)(a) of TMA – whether court should pierce the 1st Defendant's corporate veil.

Decision

At the outset, the High Court granted judgment in default of defence against the 1st Defendant and 2nd Defendant for their failure to enter appearance and file a defence.

As for the 3rd Defendant, after being satisfied that the elements of trade mark infringement were made out against the 1st Defendant, the learned Judge held that piercing or lifting a corporate veil would require two (2) conditions to be fulfilled cumulatively: (i) The piercing or lifting of a corporate veil is in the interest of justice ("**1st Condition**"); and (ii) There exists special circumstances to pierce or lift the corporate veil (to which a list of four (4) non-exhaustive special circumstances were set out) ("**2nd Condition**"). In the current suits, it was held that the two (2) conditions had been fulfilled.

The 1st Condition was satisfied as, among other reasons, the 3rd Defendant personally paid the RM318,000.00 fine for the 1st Defendant which was imposed on the 1st Defendant as a result of criminal charges proffered against it; and the 3rd Defendant was still a director of the 1st Defendant (although he contended that he was not). The 2nd Condition was fulfilled because the 3rd Defendant should not evade statutory liability for trade mark infringement under Section 38(1)(a) TMA owed to the Plaintiffs and/or the 1st Defendant's corporate personality should not be

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abused by the 3rd Defendant. Therefore, the Court granted summary judgment for trade mark infringement against the 3rd Defendant.

Conclusion

It would seem that the Courts are prepared to pierce or lift the corporate veil in the interest of justice and where there are special circumstances justifying such action, such as fraud or for the purposes of preventing an abuse of corporate personality. Therefore, even though a company and its directors are both recognised as separate personalities, this does not mean a director cannot be held liable for IP-related infringement committed by the company.

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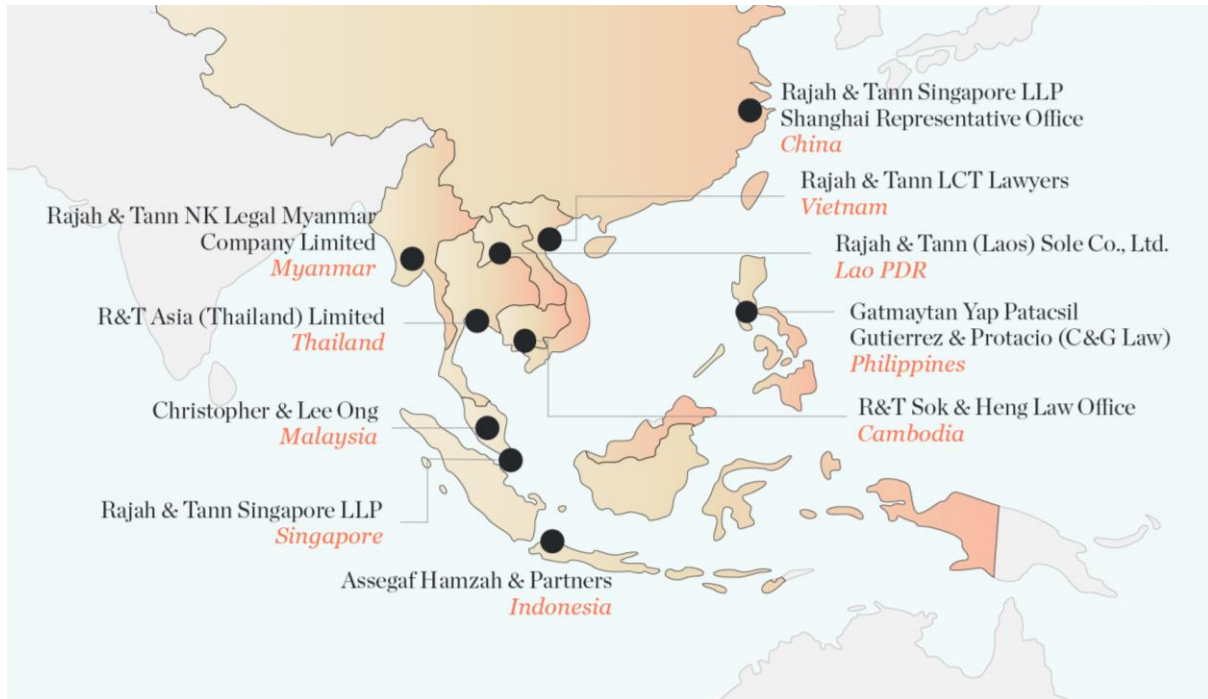
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