



7 APRIL 2015

PRESS SUMMARY

(1) FEDERAL COURT OF MALAYSIA [Civil Appeal No. 02-7-03/2013(W)]

1. HO TACK SIEN
 2. CHAI YUET YING
 3. ADVANCE PHARMA SDN BHD
 4. AV MANUFACTURING SDN BHD
- ... APPELLANTS

AND

1. ROTTA RESEARCH LABORATORIUM S.p.A
 2. ANTAH PHARMA SDN BHD
- ... RESPONDENTS

AND

REGISTRAR OF TRADE MARKS

... INTERVENER

(2) FEDERAL COURT OF MALAYSIA [Civil Appeal No: 02-13-04/2013(W)]

1. ROTTA RESEARCH LABORATORIUM S.p.A
 2. ANTAH PHARMA SDN BHD
- ... APPELLANTS

AND

1. HO TACK SIEN
 2. CHAI YUET YING
 3. ADVANCE PHARMA SDN BHD
 4. SCHMIDT BIOMEDTECH SDN BHD
 5. AV MANUFACTURING SDN BHD
- ... RESPONDENTS

AND

REGISTRAR OF TRADE MARKS**... INTERVENER**

JUSTICES: Zulkefli bin Ahmad Makinudin(CJM), Richard Malanjum(CJSS), Abdull Hamid bin Embong, Hasan bin Lah, Mohamed Apandi bin Ali(FFCJ)

BACKGROUND OF THE APPEAL:

These are two appeal cases before this Court. We heard them jointly. In the first case Civil Appeal No. 02-7-03/2013(W) the appellants are the defendants and in the second case Civil Appeal No. 02-13-04/2013(W) the appellants are the plaintiffs before the High Court. We shall refer to the parties as there were before the High Court. The appellants in both cases have obtained leave to appeal to the Federal Court against the decision of the Court of Appeal. On 11 February 2014 the Federal Court allowed the application by the Registrar of Trade Marks [the Registrar] to intervene in these two appeals. The two questions of law posed to us in respect of the two appeals are as follows:

- 1) Whether the evidence of the Registrar of Trade Marks who had approved the registration of the defendant's mark after the commencement of the plaintiff's infringement suit is material to proving trade mark infringement, in that the Registrar of Trade Marks is the key witness to establishing likelihood of confusion.
- 2) Whether it is a pre-requisite to name the Registrar of Trade Marks or the Intellectual Property Corporation of Malaysia (MYIPO) as a party in a Writ or Statement of Claim in an

application to expunge or rectify the Register of Trade Marks Act 1976; and if the answer is in the affirmative, whether the several decisions by the High Court ordering the expungement/rectification of the Register of Trade Marks without insisting on the Registrar of Trade Marks or MYIPO to be named a party in the suits are now bad in law (some of these cases are **Regent Pumps Pty Ltd & Anor. v. Keylargo Industrial Sdn Bhd [2009] 2 CLJ 303** and **Godrej Sara Lee v. Siah Teck & Anor. [No. 2] [2008] 7 CLJ 24**).+

The first question is posed by the defendants in the First Appeal and the second question is posed by the plaintiffs in the Second Appeal.[1]

BACKGROUND FACTS:

The first plaintiff is a company incorporated in Italy and is involved in the research, development and manufacturing of various pharmaceutical products. One of the products manufactured by the first plaintiff is a glucosamine sulphate based drug call Viartril-S used for the treatment of osteoarthritis.

The first plaintiff's Viartril-S trade mark was duly registered in Malaysia in Class 5 on 8 July 1976. The first plaintiff is the holder of the Product License for Viartril-S issued by the National Pharmaceutical Control Laboratory under the Ministry of Health, Malaysia. The product Viartril-S was registered with the Drug Control Authority (DCA), Ministry of Health on 12 July 1991.

The second plaintiff is a company incorporated in Malaysia and has been the distributor appointed by the first plaintiff for the sale of Viartril-S in Malaysia based on a Distribution Agreement dated 15 May 1979.

The first defendant (**Ho Tack Sien**) is a pharmacist and was first employed by Antar Sri Radin Sdn Bhd, a related company of the second plaintiff on 2 March 1990. Until his dismissal by the second plaintiff on 6 June 2001, the first defendant had held the positions of Sales Executive cum pharmacist, Product Executive cum pharmacist, Product Manager and Group Product Manager.

On 21 May 2001 the second plaintiff issued a letter of suspension against the first defendant. The first defendant was required to attend a domestic inquiry on 28 May 2001 for serious breaches of confidentiality of information and for acting in conflict of interest against the second plaintiff. The first defendant was found guilty of the charges and he was dismissed from his employment.

The second defendant (**Chai Yuet Ying**), the wife of the first defendant, is the third party in the suit having been added as a third party by the fourth defendant. The second defendant is also a pharmacist and was engaged by the second plaintiff on 15 April 1998 on a part-time basis to provide independent consultancy services on the registration of the second plaintiff's products with the DCA. On 21 May 2001 the second defendant's services were terminated by the second plaintiff.

The third defendant (**Advance Pharma Sdn Bhd**) is a company incorporated by the second defendant together with the first defendant's father on 21 February 2001 with a paid up capital of RM50,000. The object of the third defendant company is to carry on business of chemists, druggists, pharmacists and dealers in all pharmaceutical, medicinal and orthopedic preparations. The third defendant is the registered owner of the Atril-250 trade mark which was registered under the Trade Marks Act 1976 [the Act] on 10 September 2002 and is the distributor and seller of Atril-250.

The fourth defendant (**Hovid Sdn Bhd**) was the appointed contract manufacturer of Atril-250 for the second defendant.

The fifth defendant (**Schmidt Biomedtech Sdn Bhd**) was and is the appointed distributor of Atril-250 produced by the third defendant.

The sixth defendant (**AV Manufacturing Sdn Bhd**) was and is appointed manufacturer of Atril-250 to replace the fourth defendant when the contract of the fourth defendant expired. The sixth defendant was incorporated by the second defendant.

The plaintiffs contended that all the defendants had infringed their intellectual property on Viartril-S, a product imported and distributed in Malaysia for more than 20 years. The plaintiffs alleged that the fifth and sixth defendants manufactured, distributed, sold or offered to sell the product under the name of Atril-250. It is similar to and bears a colourable and deceptive imitation of the first plaintiff's trademark and get-up.[2]

The plaintiffs filed the suit against the defendants and claimed *inter alia*, for declaratory reliefs, injunctions and the name **%Advance Pharma+** be removed from the Registry of Companies. After a full trial, the High Court held that the plaintiffs had proven their case on a balance of probabilities against the first, second, third, fifth and sixth defendants and accordingly entered judgment against these defendants together with interests and costs. However, the High Court dismissed the plaintiffs' claim against the fourth defendant. The third party claim against the second defendant by the fourth defendant was also struck off with no order as to costs. The defendants' counterclaim against the plaintiffs was also dismissed with costs.**[3]**

In his judgment, the learned Judge of the High Court found that there was confusing similarity between Viartril-S mark and the Atril-250 mark after comparing them phonetically and visually. Based on such finding of facts, the learned Judge held that there was passing off by the defendants of the plaintiffs' product as the plaintiffs had successfully established the necessary criteria for passing off in relation to the plaintiffs' goodwill and reputation in the trade mark. There was also misrepresentation by the defendants and consequential to that the plaintiffs had suffered damage to its goodwill and reputation.**[4]**

The learned Judge also found that the first and second defendants were not credible witnesses and based on the evidence during the trial, the Judge held that the first and second defendants had breached their obligation of

confidentiality. Further, the Judge found that there was unauthorized use of confidential information by the first and second defendants.**[5]**

The Court of Appeal affirmed the Orders of the High Court save and except to set aside the prayers contained in paragraphs (k), (l) and (m) of the Orders of the High Court.**[6]**

The Court of Appeal affirmed the decision of the learned Judge of the High Court based on his findings of facts. However, the Court of Appeal disagreed with the learned Judge when he exercised his discretion and allowed the plaintiffs claim to expunge an existing trade mark registered by the defendants. The Court of Appeal was of the view that the defendants product was registrable as a trade mark under section 10 of the Act. The Act does not prohibit the registration of two or more trade marks which are identical or so nearly resembling each other.**[7]**

The Court of Appeal made reference to section 19(3) of the Act and held that it was the discretion of the Registrar to refuse registration. Since the Registrar proceeded with the registration, the registration was *prima facie* evidence of the validity of the defendants trade mark. The Court of Appeal also observed that the plaintiffs took no steps under section 28 of the Act to oppose the registration. Further, the Court of Appeal was of the view that the High Court ought to have received the evidence of the Registrar before exercising his discretion to order the expungement of the defendants trade mark based on section 62 of the Act.**[8]**

Learned counsel for the respective defendants submitted that under section 4 of the Act the power to superintend all matters relating to trade marks is vested with the Registrar. The principal functions of the Registrar as provided for under the Act and its Regulations includes giving preliminary advice to a person who proposes to apply for the registration of a trade mark as provided under section 73(1) of the Act and regulation 26 of the Trade Marks Regulations 1997.**[9]**

It was the defendants' contention that in an application for the registration of a trade mark, the onus of proving that the mark is not calculated to deceive or cause confusion lies on the applicant. In the instant case it was contended that the third defendant had discharged that burden of proof. It was not disputed by the plaintiffs that the application to register **"Atril-250"** as a trade mark was approved after the commencement of the suit. The successful registration of **"Atril-250"** evinced that the mark was not deceptively similar or likely to cause confusion when compared with the first plaintiff's mark **"Miatril-S"**.**[10]**

It was further contended for the defendants that the Registrar is entitled to be heard in any legal proceedings relating to the trade marks registered on the Trade Marks Register [~~the Register~~] as provided under section 62 of the Act.**[11]**

It was submitted for the defendants that the plaintiffs' failure to call the Registrar to give evidence during the trial was fatal to the plaintiffs' case. This is because the power of the Court to rectify or alter the Register is subject to the provisions of the Act. Thus, the right of the Registrar to be

heard must be read into it. The Registrar is a key witness in the instant case, in particular, having regard the fact that his decision to allow the registration of **%Atril-250+** as a trade mark was made after the commencement of the suit. The plaintiffs claim on passing off should not succeed. It depended on the proof of likelihood of confusion.**[12]**

It was the defendants case that by not calling the Registrar to give evidence at the trial of the suit, the plaintiffs must be taken to have admitted or conceded to the decision of the Registrar in approving the registration of **%Atril-250+** as a trade mark. A proposed trade mark cannot be registered unless it contains or consists of at least one of the particulars set out in section 10(1) of the Act.**[13]**

Learned counsel for the defendants also made an attempt before us to challenge the findings of facts. They were made by the trial Judge and affirmed by the Court of Appeal. They were in respect of the infringement of the plaintiffs trade mark and the passing off by the defendants of the plaintiffs product. It was impressed upon us to exercise our appellate powers to interfere with the findings of the trial Judge on the ground that there had been non-consideration or insufficient judicial appreciation of material evidence and that the findings of the trial Judge did not accord well with the probabilities of the case.**[14]**

In reply, learned counsel for the plaintiffs submitted that there is no need to bring the Registrar as a party to the suit when there is no cause of action against the Registrar. The Registrar has a right to appear if he deems fit or if the Court requires his assistance.**[15]**

It was contended for the plaintiffs that the Court has the power to expunge any mark that has been wrongfully registered or wrongly remaining on the Register. Once the grounds for revocation or removal of a mark have been made out, the mark must be removed or expunged from the Register.**[16]**

For the plaintiffs it was also argued that it is not for the Registrar to refer any matter to the Court. If there is a dispute as to identical marks, then it is for the registered proprietor or owner of the aggrieved mark to bring an action in Court to resolve such dispute.**[17]**

The Court of Appeal made a finding that if the Registrar has allowed the registration of two marks that are substantially identical, it then affords a defence to the subsequent registered mark (concurrent marks). On this point it was the plaintiffs' contention that this is only a defence if the concurrent mark was properly registered in the first place. Registration is not a defence in relation to marks that have been wrongfully entered on to the Register. It is the plaintiffs' case that a mark which is likely to deceive or cause confusion is a mark that should never have been and ought not to be registered in the first place. Once this finding has been made that mark ought to be removed or expunged from the Register.**[18]**

As regards the defendants' attempt to be allowed to challenge the findings of fact made by the trial Judge in respect of the infringement of the plaintiffs' trade mark and the passing off by the defendants of the plaintiffs' product, learned counsel for the plaintiffs submitted that this Court should not allow the defendants to do so. The parties should only confine their

argument to the two questions of law posed before this Court. Moreover it was impressed upon us that there were concurrent findings on those issues by the High Court and by the Court of Appeal. The findings of the trial Judge on those issues were made after a first hand evaluation of the evidence of all the witnesses and other evidence related to the case. Therefore such findings should not be interfered with by an appellate Court.[19]

Learned counsel for the Registrar submitted before us that he was adopting and supporting the arguments advanced by the plaintiffs. The Registrar took the position that there was no duty or obligation for the Registrar to appear in any proceeding brought by any aggrieved party. The role of the Registrar is administrative and quasi-judicial in nature. Learned counsel also submitted that the Registrar is now before this Court as the Intervener merely to clarify and state its stand in view of the decision of the Court of Appeal in ruling that the High Court ought to have received the evidence of the Registrar before exercising his discretion to order the expungement of the defendants' trade mark based on section 62 of the Act.[20]

JUDGMENT:

The appeal by the plaintiffs (the second appeal) is allowed with costs. The appeal by the defendants (the first appeal) is dismissed with costs. Deposits to be refunded to the respective parties. Zulkefli bin Ahmad Makinudin (CJM) delivers the judgment of the Court with which Richard

Malanjum (CJSS), Abdull Hamid bin Embong, Hasan bin Lah, Mohamed Apandi bin Ali (FFCJ) agree.

REASONS FOR THE JUDGMENT:

At the outset we shall deal with the submissions of learned counsel for the defendants that the defendants be allowed to argue and challenge on the findings of fact made by the trial Judge in respect of the infringement of the plaintiffs' trade mark and the passing off by the defendants of the plaintiffs' product. With respect we do not think it should be allowed. The High Court made findings of facts on those issues and affirmed by the Court of Appeal.**[21]**

The submissions advanced by learned counsel for the defendants in support of those issues are in effect seeking a reversal of the findings of facts in this case on the infringement of the trade mark by the defendants with the resultant consequential orders. In our view this would result in a complete re-hearing of the appeal on those issues and would be a complete disregard to the provision of section 96(a) of the Court of Judicature Act 1964 when leave to appeal to this Court was granted. The two questions posed before this Court when leave was granted have been couched to incorporate a point of law which if answered in the affirmative or negative has the effect of reversing the conclusions made by the Court of Appeal without any further evaluation of the evidence. It is the answers to those questions which must have the effect of reversing the conclusions made by the Court of Appeal and not the result of a review of the concurrent findings of facts made earlier on. The questions posed must

also relate to a matter in respect of which a determination has been made by the Court of Appeal. We therefore rule that the defendants should only be allowed to confine their arguments on the two questions of law posed before this Court.**[22]**

We shall now deal with the two questions of law posed before this Court. The present two appeals raised the issue of the proper role of the Registrar in rectification and expungement proceedings under section 45 of the Act.**[23]**

We are of the view there is no necessity to bring in the Registrar as a party to the suit where there is no cause of action against the Registrar. The Registrar has the right to appear if he deems fit or if the Court requires his assistance in the determination of issues before the Court relating to his scope of functions and duties. There are no statutory provisions which require the Registrar to be made a party to a rectification and expungement proceedings under the Act. Section 45 of the Act is silent on this.**[24]**

We are of the view that neither the Court nor the Registrar has the discretion to allow a mark that has been wrongfully registered to continue to remain on the Register. Once the grounds for revocation or removal of a mark have been made out, the mark must be removed or expunged from the Register. It is not the duty of the Registrar to refer any matter to the Court. If there is a dispute as to identical marks, then it is for the registered proprietor or owner of the aggrieved mark to bring an action in Court to resolve the dispute.**[25]**

The defendants relied heavily on the Court of Appeal's decision that under section 62(1) of the Act the Registrar should have been made a party or at the very least summoned to give evidence to the Court. With respect, we are of the view the remedy of removal or expungement of a trade mark from the Register is not dependent on section 62(1) of the Act. Section 62(1) of the Act accords the right to the Court to call the Registrar if the Court so requires his assistance and further gives the Registrar a right to appear if he wishes to do so. It should also be noted that section 62(2) of the Act further provides that unless otherwise directed by the Court, the Registrar, in lieu of appearing and being heard, may submit to the Court a statement in writing signed by him and such statement shall be deemed to form part of the evidence in Court.**[26]**

On the contention of the defendants and in support of the findings of the Court of Appeal that once a mark is registered by the Registrar, it is *prima facie* a valid trade mark, we are of the view that this is a rebuttable presumption. Once evidence is shown that the registered mark is invalid and should not have been registered in the first place the natural remedy would be to remove the invalid mark from the Register. Registration is therefore not a defence in relation to marks that have been wrongfully entered on to the Register.**[27]**

We are of the view that the decision of the Court of Appeal to hold that the Registrar should be made a party or heard in evidence before a rectification could be made, was not, with respect, in accord with the statutory provisions under the Act or its Regulations. Such an approach adopted by the Court of Appeal would place the Registrar in an invidious position of

participating in the proceedings in favour of one side or the other, and would destroy the neutrality of his office.[28]

Further, we are of the view that even if the Registrar gives evidence, the determination of whether there is likelihood of confusion still lies with the Court. The question of whether there is a real likelihood of deception of the public is ultimately one for the Court to decide.[29]

It is to be noted that the position as regards the Registrar's participation in the infringement of trade marks proceedings is the same as in the United Kingdom [UK], Australia and India where there are trade mark legislations similar to ours.[30]

In this First Appeal although the Court of Appeal agreed with the High Court on deception and that the defendant's mark was confusingly similar to the plaintiff's mark, it withheld sanctioning the expungement of the offending mark. It is our judgment that the Court of Appeal came to this erroneous finding due to an over-reliance on the decision in the case of **Phantom Trade Mark case [1978] RPC 245**. The Court of Appeal had misconstrued that decision and applied it more widely than it warranted. That decision was confined to its facts and not intended to lay down any general proposition with regard to the role of the Registrar in expungement proceedings.[34]

It is also noted on its facts that the case of **Phantom Trade Mark** was concerned with the previous assignment of a registered trade mark. The law in England had changed with regard to assignment of associated marks

by the time the current dispute arose. Under the previous law, there was no statutory provision governing assignment of associated marks, and everything depended on the Registrar's practice.[35]

We are of the view it was in that context that **Goff LJ** made his conclusion in the **Phantom Trade Marks** case about reliance on the practice of the Registrar which the Court of Appeal had erroneously construed as a statement of general principle.[36]

It could be seen that the practice of the Registrar in the exercise of the discretion by the court turned on the peculiar facts of the case where under the previous Act relied on by the defendant there was no provision for registration of associated marks but depended wholly on the practice of the Registrar. In our view this became a relevant factor for the exercise of **Goff LJ's** discretion on the facts of that case.[37]

We also noted that one of the grounds relied on by the Court of Appeal to suggest the wrongful exercise of discretion by the High Court was the reliance on section 40(1)(f) of the Act and held it as a further ground on which the Registrar should be heard.[38]

However, it is a general principle that a non-obstante clause cannot go outside the limits of the Act itself. We are in agreement with the contention of the plaintiff that non-obstante clause is subject to the limitations contained in the section and cannot be read as excluding the whole Act and standing by itself.[39]

Accordingly, it is our view that section 40(1)(f) of the Act only applies to a right to use a mark that has been duly registered under the Act. It is therefore tied to section 35(1) of the Act which governs the rights given by registration.[40]

It follows that the defence under section 40(1)(f) of the Act must necessarily be subject to section 35(1) of the Act and other provisions therein. The defendants could use the registered trade mark only if it was validly registered. If it were otherwise, section 40(1)(f) of the Act could override such registration of marks obtained by fraud under section 37(a) of the Act or a trade mark obtained which was contrary to law under section 14(1)(a) of the Act and thus provide a valid defence thereof. In our view this cannot be the intention of the Legislature.[41]

For the reasons abovestated we would answer in the negative the first question posed by the defendants in the first appeal. As for the second question posed by the plaintiffs in the second appeal we also answer it in the negative. We hereby set aside for the same foregoing reasons the order of the Court of Appeal that the defendants' product was registrable as a trade mark under section 10 of the Act.[46]

References in square brackets are to paragraphs in the judgment

NOTE

This summary is merely to assist in understanding the Court's judgment. The full judgment of the Court is the only authoritative document.