

Client Alert

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Case Law Update: Royal Malaysian Customs Department Ordered to Destroy Infringing Transshipment Goods

In the case of *Philip Morris Brands Sarl v Goodness for Import and Export & Ors [2017] 10 CLJ 337* ("**Case**"), the Malaysian High Court ordered the Royal Malaysian Customs Department ("**RMCD**") to destroy an infringing transshipment of goods seized within a free zone, at the infringer's expense. This is an important decision which confirms that action can be taken against counterfeit goods in transit in a free trade zone in Malaysia and will likely spur similar action to be taken by other trademark owners.

Philip Morris, who is the registered trade mark owner of 28 'MARLBORO' trade marks in Malaysia ("**Philip**"), filed an action against the owner of a transshipment of goods containing 'MALIMBO' brand of cigarettes ("**Goodness**"), for trade mark infringement and passing off. The transshipment was to be shipped from Vietnam to Egypt via ports in Malaysia, and was first brought to Philip's attention when the RMCD seized the transshipment upon discovering that Goodness had falsely declared in the customs declaration that the transshipment contained "Omani Marble" but were in fact MALIMBO cigarettes.

Philip claimed for infringement and passing off based on grounds that, among others, the MALIMBO mark was identical or so closely resembled MARLBORO trade marks as was likely to deceive or cause confusion to Malaysian consumers.

Goodness raised a defence that as the transshipment was seized within a free zone, Malaysian laws including the Malaysian Trade Mark Act 1976 ("**TMA**") are not applicable by virtue of Free Zone Act 1990. Even if the TMA was applicable, Goodness argued that it did not use the alleged infringing mark in the course of trade as it had never sold MALIMBO cigarettes in Malaysia and had only distributed them in the Middle East and North Africa. Further, Goodness claimed that its MALIMBO mark was distinctive and had been registered in United Arab Emirates.

Finding in favour of Philip Morris, the Court granted, *inter alia*, a perpetual mandatory injunction ordering RMCD to destroy MALIMBO cigarettes at Goodness' expense and held that the TMA remains applicable to goods found within a free zone in Malaysia. Even though MALIMBO cigarettes were only in Malaysia momentarily to be further shipped to another country, the transshipment constituted a use in the course of trade as it was a business conducted for profit, of a specified nature and/or transaction with a person for a thing, despite the fact that MALIMBO cigarettes would not be sold in Malaysia. Further, the Court found that the MALIMBO mark was confusingly similar to MARLBORO trade marks.





This decision confirms the strong stance taken by Malaysian courts towards protection of trademark rights and will pave way for more effective enforcement against counterfeit goods in transit in the free trade zone.