

Client Alert

January 2018

For further information,
please contact:

Kherk Ying Chew
Partner
+603 2298 7933
KherkYing.CheW@WongPartners.com

Derrick Leong
Associate
+603 2298 7925
Derrick.Leong@WongPartners.com

Case Law Update: Malaysian Federal Court Upholds Right of Registered Proprietor of Trade Mark to Withdraw Consent for Use

In *Low Chi Yong v Low Chi Hong and Reynox Sdn. Bhd.* [2017] 1 LNS 1666 a question came before the Malaysian Federal Court as to whether a registered proprietor of a trade mark can withdraw consent at any time even if it would interrupt the business of a counterparty or must the registered proprietor give reasonable notice to cease usage in the absence of a written license agreement?

A dispute arose between two brothers in relation to the use of a "Reynox" trade mark ("**Mark**") for liquid fertilizers. The appellant was the registered proprietor of the Mark. The appellant and 1st respondent were brothers who then incorporated the 2nd respondent to operate the family business of producing and selling fertilizers. The appellant consented for the 2nd respondent to use the Mark in the course of its business dealings. Subsequently, the appellant resigned from the 2nd respondent and issued notices ("**Notices**") to the respondents demanding that they refrain from using the Mark with immediate effect. However, the respondents paid no heed to the Notices and continued their use of the Marks.

The appellant then initiated a lawsuit against the respondents for infringing his Mark. The High Court found in favour of the appellant and the dissatisfied respondents appealed.

On appeal, the Court of Appeal found that the respondents' continued use of the Mark had been done with the consent and approval of the appellant as the appellant had terminated his consent without reasonable notice. The abrupt conduct of the appellant in issuing the Notices was found to have been oppressive and inequitable and had caused immediate loss and damage to the 2nd respondent which was an active trading company.

The appellant then brought an appeal to the Federal Court. The respondents contended that the appellant had waived his right to use the Mark exclusively by allowing the respondents to use the same over several years. The respondents also argued that the appellant had assigned the Mark to the respondents.

The Federal Court disagreed with the respondents and found in favour of the appellant. Once the Notices were issued, the consent granted to the respondents for the use of the Mark ceased immediately. On the issue of assignment, the Federal Court declined to accept the respondents' contention that such an assignment existed as there was no document or instrument that could be produced to prove that a valid assignment that had been registered. The Trade Marks Act 1976 makes it compulsory for an assignment of a trade mark to be registered with the Registrar before the assignment may be enforceable. To quote the Federal Court:





"There was ample evidence to establish that the appellant sent out notices to the respondents stating, inter alia, that the appellant was the sole registered proprietor of the trade mark and as such, the respondents should refrain from using the trade mark with immediate effect in any way or manner in the course of trade which would infringe the appellant's trade mark. Furthermore, there was no evidence of assignment registered. Without any evidence to prove that the consent given by the appellant was indeed an assignment, the appellant never assigned the trade mark to the respondents."

This decision demonstrates that the Malaysian Courts will provide strong protection in favour of registered proprietors of trade marks. A registered proprietor may withdraw consent granted to a counterparty for the use of his or her trade mark at any time, even if this would interrupt the business of the counterparty. The takeaway from this decision for companies seeking to come to arrangements with counterparties for the use their trade marks is that safeguards should be put in place in such situations. It would be prudent to ensure that a written licence for a fixed term be drawn up or in the case of assignments, the assignment document or instrument should be registered.