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False Sense of Security

The foundation of a successful business lies in its goodwill and reputation. Intangible as it may be, the value of a brand name should not be overlooked. A trademark is now legally recognised as a personal or movable property, and can be used as a subject of security interests.¹ Recently, a reputable local company even sold its trademark for RM83 million.²

The benefits of registering one's trademark are thus obvious. As a trademark owner, one enjoys exclusive rights to use the trademark, and can claim relief for any unauthorised use.³ This exclusivity lasts for at least 10 years, and is subject to perpetual renewal.⁴

The mistake, however, is when trademark owners rest on their laurels the moment they secure registration of their trademarks. And by this we mean being inactive or idle, neglecting "use" and putting their trademarks through long periods of inactivity.

Under the Trademarks Act 2019, a trademark registration may be revoked by the court if, among others –

- (a) It has not been used, within three years after registration, without proper reasons; or
- (b) Its usage has been suspended for an uninterrupted period of three years, without proper reasons.⁵

The rationale is simple. The "life" of a trademark depends on its use, and continued non-use would lead to its "eventual death".⁶ There is no equitable or logical basis for continuance of protection if the trademark is no longer in use for a sufficiently long period.⁷ Where the registration

¹ Trademarks Act 2019 (**TMA**), s 62

² "SALE AND PURCHASE AGREEMENT RELATING TO THE DISPOSAL OF THE "TEAPOT" TRADEMARK FOR A CASH CONSIDERATION OF RM83,175,000 (THE "PROPOSED DISPOSAL")" http://disclosure.bursamalaysia.com/FileAccess/apbursaweb/download?id=105434&name=EA_GA_ATTACHMENTS

³ TMA, s 48(1)

⁴ TMA, s 39(1)

⁵ TMA, s 46(1)

⁶ *Al Baik Fast Food Distribution Co SAE v El Baik Food Systems Co SA and another appeal* [2016] 5 MLJ 768 (**Al Baik**) at para 29, citing P Narayanan's "Trade Marks and Passing Off" (6th Ed) (*Note*: The issue on non-use in *Al Baik* was decided under s 46 of the previous Trade Marks Act 1976)

⁷ *Ibid*

of a trademark is revoked, the rights of the trademark owner shall be deemed to have ceased from the date of the application for revocation.⁸

In *Al Baik*, a foreign owner of a trademark registered in Malaysia back in 1997 had never operated any business in relation to the trademark in Malaysia. Faced with the possibility of having its trademark revoked, the owner attempted to salvage the situation by contending, among others, that the trademark was well-known in its home country.⁹ This argument was rejected and the Court of Appeal ordered revocation of the trademark.¹⁰

An aggrieved party who wishes to move the court for revocation may attempt to prove “non-use” by commissioning a market survey. Useful guidelines are found in the “Whitford Guidelines” on how market surveys should be conducted in trademark cases,¹¹ though the courts have stressed they do not constitute a mandatory statutory requirement applicable to all market surveys.¹² The courts have therefore been cautious of accepting market surveys conducted by litigants.¹³

In *Essity Hygiene*, the usefulness of two market surveys were challenged.¹⁴ The defendant contended the market surveys failed to monitor usage by the defendant, or rather the lack of usage, for a continuous period of three years. Other grounds of challenge include the frequency, quality of the survey and nature of the interviews conducted.¹⁵ The High Court rejected the challenges and found it unnecessary, if not oppressive, to require continuous monitoring by the market surveys for the period proposed by the defendant.¹⁶

In a nutshell, trademark owners should remain vigilant and must not nonchalantly take their exclusive rights for granted. Those who are lulled into a false sense of security may find it too little, too late.

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⁸ TMA, s 46(5)
⁹ *Al Baik* at para 63(8)
¹⁰ *Ibid*, at para 72
¹¹ *Marks and Spencer Plc v Lnterflora Inc and Another* [2012] EWCA Civ 1501 cited in *Liwayway Marketing Corporation v Oishi Group Public Co Ltd* [2017] 5 CLJ 133 at para 22
¹² *Hyundai Motor Company v Sun Yuen Motor Manufacturing Co Sdn Bhd* [2017] 1 LNS 731 (**Hyundai Motor**) at para 35
¹³ *Chocosuisse Union Des Fabricants Suisses De Chocolat & Ors v Maestro Swiss Chocolate Sdn Bhd & Ors* [2013] 6 CLJ 53 at para 35 cited in *Hyundai Motor*
¹⁴ *Essity Hygiene and Health Ab v Praba's Vcare Health Clinic Privited Limited* [2019] MLJU 804 at para 17 (Note: The issue on non-use in *Essity Hygiene* was decided under s 46 of the previous Trade Marks Act 1976)
¹⁵ *Ibid*
¹⁶ *Ibid*, at para 33

