

LHAG Insights

Intellectual Property, Sports & Gaming



ABOUT THE AUTHORS



Chng Keng Lung
Partner

**Intellectual Property,
Sports & Gaming**

(Dispute Resolution & Advisory)

E: ckl@lh-ag.com



Joel Choo Xuein Wei
Associate

**Intellectual Property,
Sports & Gaming**

(Dispute Resolution & Advisory)

E: jcx@lh-ag.com

26 JULY 2022

Goodwill Unshaken by Negative Publicity

An organisation's goodwill ensures long-term success and customer loyalty. It is an intangible asset developed over time. From a legal standpoint, it is a necessary ingredient for an action for passing off. Without goodwill, commencing a claim for passing off is beyond the reach of any prospective litigant. Recently, the Federal Court¹ had the occasion of analysing the perceived frailty of one's goodwill.

Brief Background

The Appellant distributes goods bearing the "Royal Expert White" mark which is a registered trademark. The Appellant discovered the Respondents sold products containing marks similar to those of the Appellant's. Hence, the Appellant commenced an action against the Respondents for trademark infringement and passing off.

In the context of passing off, the Respondents argued the Appellant had no goodwill because of a press release issued by the Ministry of Health. The press release in essence listed several products that were banned for containing mercury. One of the products banned was "Royal Expert Whitening Cream" (a product not affiliated with the Appellant), registered in the name of a different entity (a company not affiliated with the Appellant). According to the Respondents, the banned product refers to the Appellant's 'Royal Expert' branding and product – thereby destroying the Appellant's goodwill.

¹ Ortus Expert White Sdn Bhd v Nor Yanni bt Adom & Anor [2022] 2 MLJ 67

Head Office

Level 6, Menara 1 Dutamas
Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Malaysia
Tel: +603 6208 5888
Fax: +603 6201 0122

Johor Office

Suite 21.01
21st Floor, Public Bank Tower
No.19, Jalan Wong Ah Fook
80000 Johor Bahru, Johor
Tel: +607 278 3833
Fax: +607 278 2833

Penang Office

18-33-A3 Gurney Tower
Persiaran Gurney
10250 Georgetown
Pulau Pinang
Tel: +604 299 9668
Fax: +604 299 9628

Email

enquiry@lh-ag.com

Website

www.lh-ag.com

One of the questions of law posed to the Federal Court was whether –

“Goodwill of a business can be destroyed completely by mere publication(s) of documents that made no specific reference to the business owner”².

Key Takeaways

The Federal Court answered in the negative and held –

- (a) The press release banned products that were unrelated to the Appellant. The owner of the banned product is not the Appellant but a different entity.³
- (b) There are instances where brands which have established goodwill over a period of time continue to maintain such goodwill despite negative publicity.⁴
- (c) In this regard, it would be absurd if the goodwill of a brand can be completely destroyed merely by a negative press release.

If you have any queries, please contact associate Joel Choo Xuein Wei (jcx@lh-ag.com) or his team partner [Chng Keng Lung](mailto:Chng_Keng_Lung) (ckl@lhag.com).