

# Dilution Protection of Well-Known Trade Marks

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## I. Introduction

In today's international and competitive marketplace, well-known trade marks have acquired the status and recognition as important assets of any corporation that owns them. Well-known trade marks are commercial magnets because they have the ability to attract the purchasing public toward products bearing the marks. The commercial magnetism of well-known trade marks renders them attractive targets of unscrupulous conduct by traders who desire to take advantage of their commercial magnetism at little expense to themselves. Such conduct could cause serious damage to well-known trade mark owners. A form of damage that could result was identified by the American scholar, Frank I Schechter, as "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name".<sup>1</sup> This damage is today known as the dilution of trade marks. Dilution of trade marks can take place independent of any confusion in the minds of consumers. The fundamental principle underlying Malaysian trade mark law, namely, the prevention of likelihood of consumer confusion as to the origin of the products, is not designed to cope with the phenomenon of dilution of trade marks.

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<sup>1</sup> Another form of damage is the confusion caused among consumers in the marketplace as to the origin of the products. The principle underlying Malaysian trade mark law, namely, the prevention of likelihood of consumer confusion as to the origin of the goods or services, is designed to cope with such damage to the goodwill of the business caused by consumer confusion.

This article discusses the protection of well-known trade marks in Malaysia under the Trade Marks Act 1976 and the law of passing off. The aim is to examine whether there is any scope within the current Malaysian trade mark law to protect well-known trade marks against unscrupulous acts of third parties which may cause dilution of the marks. The first part of this article explores the three main functions of well-known trade marks in the marketplace. These are the indication of origin function, the guarantee of quality function and the advertising function. The discussion in the first part places more focus on the advertising function of well-known trade marks because any harm done to the advertising function of a well-known trade mark will result in a weakening of the hold upon the public's mind of that mark. The second part examines the Malaysian law on the protection of well-known trade marks. In the second part, the relevant statutory provisions of the Trade Marks Act 1976 will be examined. The common law of passing off will also be discussed. The third part argues that adequate legal protection of the advertising function is necessary to prevent third parties from conducting unscrupulous acts which would damage the commercial magnetism of well-known trade marks. It highlights the inadequacy of the current Malaysian trade mark law to protect well-known trade marks against dilution. Consequently, this part advocates the introduction of an anti-dilution law to protect the advertising function of well-known trade marks.

## II.      The Functions of Well-known Trade Marks

Well-known trade marks play three important roles in the marketplace. These are the indication of origin function, the guarantee of quality function and the advertising function. The indication of origin function informs consumers as to the trade source from which products originate, albeit the actual source is anonymous. There are two different views as to what the indication of origin function of trade marks entails.<sup>2</sup>

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<sup>2</sup> Cornish, WR & Llewelyn, David, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (London: Sweet & Maxwell, 5<sup>th</sup> ed, 2003) at paras 15-28.

First, which is the more restrictive approach, is the view that the indication of origin function denotes the source, albeit anonymous, of the products. Secondly, which is the more liberal and modern approach, is the view that trade marks differentiate one manufacturer's products from those of others, especially in cases where consumers have no interest in source as such but only as the key to qualities.

The guarantee of quality function informs consumers that products bearing the same well-known trade marks are of the same quality. The quality of a product is the cumulative result of the constant, consistent elements in the product itself. It is the experience of dealing with a product over time that leads consumers to expect that a particular trade mark stands for a better quality than another mark. Thus, it is the consistency of the quality represented by the trade mark that is important to consumers.

The advertising function of well-known trade marks draws consumers to the mark as an attraction by itself because such marks convey, among a multitude of other messages, personality, purpose, performance, panache and prestige of the products.<sup>3</sup> The fact that some trade marks are well-known while others are not suggests that well-known trade marks have the ability to generate a set of strong, favourable and unique associations about the marks in the minds of consumers. This enables a specific image to be portrayed about the products concerned or their consumers.<sup>4</sup> The mental and emotional link between well-known trade marks and consumers constitutes the drawing power which lures and channels consumers towards the particular products on which the marks are used. This link was recognised as early as in 1942 by an American judge, Frankfurter J in *Mishawaka Rubber and Woollen Mfg Co v SS Kresge Co*.<sup>5</sup> In that case, the judge stated as follows:

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<sup>3</sup> Swann, Jerre B, "Dilution Redefined for the Year 2002" (2002) 92 TMR 585 at p 593.

<sup>4</sup> Swann, Jerre B, Aaker, David A & Reback, Matt, "Trademarks and Marketing" (2001) 91 TMR 787 at p 807.

<sup>5</sup> 316 US 203 (1942).

The protection of trade marks is the law's recognition of the psychological functions of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trade mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the end is the same - to convey through the mark, in the minds of potential customers, the desirability for the commodity upon which it appears. Once this is attained, the trade mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.<sup>6</sup>

The ability of well-known trade marks to draw consumers by virtue of their commercial magnetism reflects their advertising power.<sup>7</sup>

<sup>6</sup> *Id* at p 205. In fact, 15 years before this decision, the selling power of trade marks was expressed by Frank I Schechter in "The Rational Basis of Trademark Protection" (1927) 40 *Harv L Rev* 813 at p 819 as follows:

[T]oday the trademark is not merely the symbol of goodwill but often the most effective agent for the creation of goodwill, imprinting upon the public mind an anonymous and impersonal guaranty of satisfaction, creating a desire for further satisfactions. The mark actually sells the goods. And, self-evidently, the more distinctive the mark, the more effective is its selling power.

See also Pattishall, Beverly W, "The Dilution Rationale for Trademark-Trade Identity Protection, Its Progress and Prospects" (1977) 67 *TMR* 607 where the writer notes, at p 622, that the realities of modern commerce leaves no doubt as to the immense value inherent in the commercial magnetism of well-known trade marks.

<sup>7</sup> Evans, GE, "The Protection of International Business Reputation in Australia Under the Registered Trademark System" (1994) 22 *ABLR* 345 states, at p 365, that:

Although the trademark is often referred to as a badge of origin, in the light of modern manufacture and distribution, the mark has largely ceased to be an indication of actual

Indeed, in today's society, which is increasingly obsessed with style or image, well-known trade marks have become valuable advertising tools which draw consumers to the marks as an attraction by themselves.<sup>8</sup>

### III. Legal Protection of Well-known Trade Marks

#### A. *Protection of Well-known Trade Marks under the Trade Marks Act 1976*

The Trade Marks Act 1976 is important with regard to the protection of well-known trade marks because it is the principal legislation which embodies the law of trade marks in this country. A number of provisions in the Act deal directly with well-known trade marks. These are ss 14(1)(d), 14(1)(e), 70B and 57 of the Act.

It should be noted that the Act does not provide any definition of the term "well-known trade mark". This absence is not unique to Malaysian trade mark law but is a feature common to the trade mark laws of every country. Since the very concept of "well-known" is elusive,<sup>9</sup> it would not be realistic to expect a definition of a "well-known trade mark". Although the Act does not define what a "well-known trade mark" is, s 14(2) provides that Article 6bis of the Paris Convention and Article 16 of the Agreement on Trade-Related Aspects of Intellectual Property Rights 1994<sup>10</sup> (TRIPs Agreement) shall apply

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source. The role of the trademark lies increasingly in its quality and advertising functions; in short, in its reputation or the power the mark possesses to generate and retain custom.

<sup>8</sup> See the judgment of Lord Nicholls in the House of Lords case of *Scandecor Developments AB v Scandecor Marketing AB* [2001] 2 CMLR 645 at p 653.

<sup>9</sup> Ladas, Stephen P, *Patents, Trademarks, and Related Rights: National and International Protection*, Volume II (Cambridge: Harvard University Press, 1975) at para 681.

<sup>10</sup> The Agreement on Trade-Related Aspects of Intellectual Property Rights 1994 constitutes Annex 1C to the Agreement Establishing the World Trade Organisation.

for the purpose of determining whether a trade mark is well-known. Article 6bis of the Paris Convention provides as follows:

- (1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.
- (2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.
- (3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.

The reference in s 14(2) of the Act to Article 16 of the TRIPs Agreement necessarily means Article 16(2). This is because Article 16(2) is the only provision in the TRIPs Agreement which provides guidelines on the determination of whether a trade mark is well-known. Article 16(2) provides as follows:

Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to services. In determining whether a trade mark is well-known, Members shall take into account of the knowledge of the trade mark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trade mark.

It would appear that the reference to Article 6bis of the Paris Convention in s 14(2) of the Trade Marks Act 1976 is superfluous because this article does not provide any guideline for determining whether or not a trade mark is well-known. In determining whether a trade mark is well-known, Article 16(2) of the TRIPs Agreement requires Member States to take into account the knowledge of the trade mark in the relevant sector of the public instead of the public at large. Since s 14(2) of the Act imports directly Article 16 of the TRIPs Agreement, it would appear that a trade mark which has become well-known in this country as a result of the spillover of international reputation can qualify for well-known trade mark protection under the Act even though the trade mark has not been used locally.<sup>11</sup>

Apart from s 14(2) of the Act, Regulation 13B of the Trade Marks (Amendment) Regulations 2001 lays down a number of guidelines which may be taken into account in determining whether a mark is well-known. Regulation 13B provides that in determining whether a trade mark is well-known, the following factors may be taken into account:

- (i) the degree of knowledge or recognition of the mark in the relevant sector of the public;
- (ii) the duration, extent and geographical area of any use of the mark;

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<sup>11</sup> In the Singapore case of *Tiffany & Co v Fabriques de Tabac Reunies* [1999] 3 SLR 147, the Court of Appeal was posed with the issue as to whether the proprietor of a registered well-known trade mark who did not carry on trade in Singapore could succeed in an opposition proceeding. The Court of Appeal held that there was no reason to require "use" of the opponent's trade mark within jurisdiction for the purpose of an opposition proceeding because the object of the provision prohibiting registration was to protect the public from confusion or deception arising from the use of similar marks. The court further stated that as a result of the rapid advancement of modern technology and communication links, Singaporeans could be as familiar with famous international marks as people in the country where the mark was actually in use. That being the case, there was no need to prove existing user of the trade mark within jurisdiction in order to establish the likelihood of confusion or deception.

- (iii) the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
- (iv) the duration and geographical area of any registrations, and/or any applications for registration, of the mark, to the extent that they reflect use or recognition of the mark;
- (v) the record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognised as well known by competent authorities;
- (vi) the value associated with the mark.

1. *Refusing registration of a conflicting trade mark used on the same goods or services: Section 14(1)(d)*

Section 14(1)(d) of the Trade Marks Act 1976 prohibits the registration of a mark which is identical with or so nearly resembles another mark which is well-known in Malaysia for the same goods or services of another proprietor. Section 14(1)(d) states as follows:

A mark or part of a mark shall not be registered as a trade mark if it is identical with or so nearly resembles a mark which is well-known in Malaysia for the same goods or services of another proprietor.

The protection afforded by the section does not extend to goods or services of the same description.<sup>12</sup> This section applies to protect both registered well-known trade marks and also unregistered well-known trade marks. Section 14(1)(d) is silent on whether a likelihood of confusion must be established before the section can be invoked. It may be inferred from this that the legislature had intended to dispense with the need to prove a likelihood of confusion. Further

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<sup>12</sup> In determining whether goods are of the same description, Romer J in *Jellinek's Application* (1946) 63 RPC 59 identified three factors to be taken into account, namely, the nature of the goods, the uses thereof and the trade channels through which they are bought and sold.

support for this view may be found in Article 16(1) of the TRIPs Agreement which presumes that a likelihood of confusion exists where a third party uses an identical sign for identical goods or services. In addition, a number of provisions in the Act explicitly require a likelihood of confusion to be established in order for those provisions to operate.

Section 14(1)(d) is also silent on the issue of whether the well-known trade mark must be used in Malaysia before the provision may be invoked. It is submitted that the protection of well-known trade marks conferred by s 14(1)(d) is not dependent upon the use of the well-known trade mark locally for two reasons. First, s 14(2) incorporates Article 16 of the TRIPs Agreement in the determination of whether a trade mark is well-known. Article 16(2) of the TRIPs Agreement arguably does not require the well-known trade mark to be used in the country in which protection is sought. Secondly, if s 14(1)(d) were to be circumscribed by the requirement that the well-known trade mark is used in this country, it would lead to a conflict with s 70B(1). As will be discussed later, s 70B(1) allows the proprietor of a well-known trade mark, whether used in this country or otherwise, to seek an injunction to restrain the use of an identical or similar trade mark in respect of the same goods or services.

*2. Refusing registration of a conflicting trade mark used on different goods or services: Section 14(1)(e)*

The prohibition against the registration of a trade mark which conflicts with a registered well-known trade mark used in relation to different goods or services is addressed in s 14(1)(e) of the Trade Marks Act 1976. Section 14(1)(e) states as follows:

A mark or part of a mark shall not be registered as a trade mark if it is well-known and registered in Malaysia for those goods or services not the same as to those in respect of which registration is applied for:

Provided that the use of the mark in relation to those goods or services would indicate a connection between those goods or services and the proprietor of the well-known mark,

and the interests of the proprietor of the well-known mark are likely to be damaged by such use.

This section prohibits the registration of identical or similar trade marks on goods or services different from those in which the well-known trade mark is registered. It should be noted that the prohibition in s 14(1)(e) can only be invoked where the well-known trade mark is registered. Moreover, the goods or services in respect of which the well-known trade mark is registered must not be the same as those in respect of which the owner of the conflicting trade mark seeks registration. This extended form of protection is limited by two provisos. First, the use of the mark in relation to those goods or services would indicate a connection between those goods or services and the proprietor of the well-known trade mark. Secondly, the interests of the proprietor of the well-known mark are likely to be damaged by such use.<sup>13</sup>

An uncertainty arises with regard to the relevant sector of the public which must be taken into consideration in determining whether a trade mark is well-known. This is because s 14(1)(e) deals with goods and services which are not the same as those in respect of which registration is applied for. More specifically, it is unclear whether the relevant sector of the public should comprise the customers of the products bearing the well-known trade mark or the customers of products bearing the conflicting trade mark or, perhaps, both categories of customers. It is submitted that the relevant sector of the public is the customers of products bearing the well-known trade mark rather than the customers of products bearing the conflicting trade mark. Two reasons may be proffered in support of this submission. First, a trade mark which is well-known in relation to the goods or services in which it is used may not at the same time be well-known in relation to other goods or services. Clearly, to require that the trade mark be well-known also in relation to other goods or services is tantamount to imposing a more onerous requirement on the well-known trade mark proprietor. Secondly, the other provisions dealing specifically with

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<sup>13</sup> These provisos are taken directly from Article 16(3) of the TRIPs Agreement.

well-known trade marks in the Trade Marks Act 1976, namely ss 14(1)(d), 70B and 57 on defensive registration, are concerned with trade marks which are well-known in relation to the goods or services which use the trade marks. There does not appear to be any sound reason for treating s 14(1)(e) differently.

The phrase "indicate a connection" in the first proviso of s 14(1)(e) is ambiguous. It is unclear whether the phrase entails the existence of a likelihood of confusion in the minds of consumers or whether a mere likelihood of association without there being any confusion would suffice. However, it is submitted that the phrase "indicate a connection", when used in the Trade Marks Act 1976, requires the existence of a likelihood of confusion in the minds of consumers. Under the Act, the notion of "indicating a connection" generally denotes consumer confusion as to the origin of the goods or services bearing the mark.<sup>14</sup>

The second proviso that must be satisfied before s 14(1)(e) can be invoked is that the interests of the proprietor of the well-known trade mark are likely to be damaged by the use of the conflicting trade mark. It is submitted that the phrase "the interests of the proprietor of the well-known trade mark are likely to be damaged by such use" is unclear. More specifically, it is unclear whether the damage is confined to the damage caused as a result of the confusion created in the minds of consumers as to the origin of the goods or services or whether it encompasses a wider concept to include damage to the value of the well-known trade mark per se. If the view discussed above that the phrase "indicate a connection" refers to the likelihood of confusion in the minds of consumers is correct, then it would appear that "the interests of the proprietor of the well-known mark" must relate to the interests which are damaged as a result of such confusion

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<sup>14</sup> An exception is s 14(1)(a) of the Trade Marks Act 1976 where the confusion or deception may extend to encompass the quality or character of the goods or services in respect of which the mark is used or its geographical origin. See Ricketson, Staniforth, *The Law of Intellectual Property* (Sydney: The Law Book Company Limited, 1984) at paras 34.3–34.6.

as to the origin of the goods or services. Such an interpretation would be consistent with the main thrust of the Act, which is the prevention of the likelihood of consumer confusion as to the origin of the goods or services.<sup>15</sup> Section 14(1)(e) does not require the well-known trade mark owner to prove actual damage to his interests. It is sufficient that there be a likelihood that the interests are damaged by the use of the conflicting trade mark.

3. *Restraining the use of a trade mark which is identical with or nearly resembles a well-known trade mark: Section 70B*

Section 70B(1) of the Act states as follows:

The proprietor of a trade mark which is entitled to protection under the Paris Convention or the TRIPs Agreement as a well-known trade mark is entitled to restrain by injunction the use in Malaysia in the course of trade and without the proprietor's consent of the trade mark which, or the essential part of which, is identical with or nearly resembles the proprietor's mark, in respect of the same goods or services, where the use is likely to deceive or cause confusion.

Protection under this section is available so long as the trade mark is well-known in Malaysia, regardless of whether it is registered or unregistered. Section 70B(1) applies irrespective of whether or not

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<sup>15</sup> In contrast, Richardson, Megan, "Copyright In Trade Marks? On Understanding Trade Mark Dilution" [2000] *IPQ* 66 suggests, at p 68, that the phrase "the interests of the proprietor of the well-known mark" refers to the detriment caused to the distinctive character of the trade mark. Similarly, see Mostert, Frederick & Stevens, Trevor, "The Protection of Well-Known Trade Marks on Non-competing Goods" (1996) 7 *AIPJ* 76 where the authors argue, at p 83, that s 120(3) of the Australian Trade Marks Act 1995 can cater for the situation of trade mark dilution. Section 120(3) of the Australian Trade Marks Act 1995 protects a well-known mark against unauthorised use in relation to "unrelated" goods or services where the use would indicate a connection between the unrelated goods or services and the registered proprietor of the well-known mark whose interests are likely to be adversely affected.

the owner of the well-known trade mark carries on business in Malaysia or whether he is a national or is domiciled in a Member State of the Paris Convention or the World Trade Organisation. This is because s 70B(3) defines a well-known trade mark for the purpose of the section as meaning one which is well-known in Malaysia and is owned by a person<sup>16</sup> whether or not that person carries on business, or has any goodwill, in Malaysia. Thus, the significance of s 70B(1) lies in its application to unregistered well-known trade marks in Malaysia and well-known trade marks which have not been used in this country. The unauthorised use of a well-known trade mark must be a use which is likely to deceive or cause confusion.

The section applies only if the conflicting trade mark is used on the same goods or services as that of the well-known trade mark. It is a requirement under the section that the mark be well-known in Malaysia so that the mere fact that a mark is well-known internationally, but not in Malaysia, is insufficient for s 70B(1) to apply. Pursuant to this section, it is sufficient if the defendant uses the trade mark “in the course of trade”. There is no requirement that the use of the trade mark by the defendant be “use as a trade mark”.

#### 4. *Defensive registration*

Defensive registration as a form of protection of well-known trade marks is incorporated in s 57 of the Trade Marks Act 1976. The substantive provision on defensive registration in s 57 of the Trade Marks Act 1976 is spelt out in sub-s (1) which states as follows:

Where a trade mark consisting of an invented word or words has become so well known as regards any goods or services in respect of which it is registered and, in relation to which it has been used, that the use thereof in relation to other goods or services would likely to be taken as indicating a connection in the course of trade between the other goods

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<sup>16</sup> By s 3 of the Interpretation Acts 1948 and 1967, the word “person” includes both an individual and a body corporate.

or services and a person entitled to use the trade mark in relation to the first-mentioned goods or services, then, notwithstanding that the proprietor registered in respect of the first-mentioned goods or services does not use or propose to use the trade mark in relation to the other goods or services and notwithstanding anything in s 46, the trade mark may, on the application in a prescribed manner of the proprietor registered in respect of the first-mentioned goods or services, be registered in his name in respect of the other goods or services as a defensive trade mark and while so registered, shall not be liable to be taken off the Register in respect of other goods or services under s 46.

Pursuant to the section, the registered proprietor of a trade mark consisting of an invented word which has become so well-known as regards any goods or services for which it is registered and in relation to which it has been used, that the use of the trade mark in relation to other goods or services would be likely to cause confusion, may register that trade mark as a defensive trade mark for other goods or services in respect of which the registered proprietor does not propose to use it. This is a very narrow form of protection of well-known trade marks because it is restricted to well-known invented words and is not applicable to marks other than invented words. The purpose of defensive registration is to confer protection on well-known trade marks consisting of invented words beyond the limited scope of the exclusive right granted to ordinary trade marks. This is to prevent others from exploiting the goodwill of the business using the trade mark by applying the trade mark to goods or services quite different from those for which it is in fact used and well-known. A defensive registration is an exception to the requirement that the proprietor of a trade mark should use it or propose to use it for the registered goods or services.

### B. Protection of well-known trade marks under the law of passing off

The law of passing off is concerned with misrepresentations made by one trader which damage the goodwill<sup>17</sup> of another. The theoretical basis for an action in passing off is the protection of a property right which the plaintiff has in the goodwill of his business.<sup>18</sup> There is no right of property in a plaintiff's trade mark or other distinguishing indicia which he uses to distinguish his goods or services from those of other traders in the marketplace.<sup>19</sup> Thus, the law of passing off does not directly protect well-known trade marks per se but the business goodwill between the trader using the well-known trade mark and his customers. However, as an indirect consequence of the protection of the goodwill of a business which is sustained by the use of a well-known trade mark, the mark is shielded from the unauthorised use by other traders.

In *Erven Warnink BV v J Townend & Sons (Hull) Ltd*,<sup>20</sup> Lord Diplock in the House of Lords laid down five minimum requirements<sup>21</sup> which must be established by the plaintiff in a passing off action. These five requirements are as follows:

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<sup>17</sup> Goodwill is normally created by conducting business in this country. In *Inland Revenue Commissioners v Muller & Co Margarine Ltd* [1901] AC 217 at p 223, Lord MacNaghten described goodwill as "the benefit and advantage of the good name, reputation and connection of a business ... the attractive force which brings in custom. Goodwill has no independent existence apart from the business to which it is attached". Passing off is a tort of misrepresentation and thus misrepresentation is an essential element of all passing off actions.

<sup>18</sup> *Spalding (AG) & Bros v AW Gamage Ltd* (1915) 32 RPC 272 at p 284, per Lord Parker.

<sup>19</sup> *Ibid; Star Industrial Company Ltd v Yap Kwee Kor* [1976] FSR 217.

<sup>20</sup> [1980] RPC 31 at p 93.

<sup>21</sup> *Id* at p 93; Lord Diplock acknowledged that these five features may not always be sufficient. His Lordship cautioned that not all factual situations which satisfy these requirements would give rise to a successful action for passing off. His Lordship cited by way of example the case of the trader who claimed that the quality of his wares were better than those of his rivals, even

- (i) misrepresentation;
- (ii) made by a trader in the course of trade;
- (iii) to prospective customers of his or ultimate consumers of goods or services supplied by him;
- (iv) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence);
- (v) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.

In recent years, the local courts have been more amenable to the remedy of dilution of trade marks as a form of actionable damage in passing off. In *The Scotch Whisky Association & Anor v Ewein Winery (M) Sdn Bhd*,<sup>22</sup> the first plaintiff had the responsibility, *inter alia*, of protecting and defending the interests of the well-known "Scotch Whisky" trade throughout the world. The second plaintiff were distillers, blenders and exporters of "Scotch Whisky", being spirits distilled solely in Scotland in a regulated stringent manner. The plaintiffs claimed that the defendants, a locally incorporated company which carried on the business of manufacturers of liquor, had passed off their spirits which were not distilled in Scotland, as and for "Scotch Whisky". The acts of passing off complained by the plaintiffs included features of get-up with visual representations and labels suggesting Scottish origin. The plaintiffs also contended that the defendants' misrepresentation had eroded the distinctiveness of the description "Scotch Whisky". Abdul Hamid Mohamad J adopted the test formulated by Lord Diplock in *Erven Warnink BV v J Townend & Sons (Hull) Ltd*<sup>23</sup> and found the defendants liable for passing off. His Lordship held that the defendants' act of misrepresenting their products as "Scotch Whisky" was likely to confuse the public into thinking that

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though he knew this to be untrue. According to his Lordship, such a case was permitted by the common law as venial "puffing" which gave no cause of action even though the rival's business may have suffered damage.

<sup>22</sup> [1999] 6 MLJ 280.

<sup>23</sup> *Supra* n 20.

the defendants' products were indeed "Scotch Whisky".<sup>24</sup> The interesting aspect of the judgment, which impacts most significantly on the law of passing off in this country, relates to the issue of damage. Apart from granting the plaintiffs the remedies which they had sought,<sup>25</sup> the judge stated that if locally produced whiskies were widely sold as "Scotch Whisky", the meaning of "Scotch Whisky" would be diluted and might eventually become generic to the detriment of real "Scotch Whisky" producers.<sup>26</sup> Genericisation occurs where the trade mark becomes descriptive of the product itself, thereby losing its distinctiveness and ability to denote the business of the trade mark owner. The finding of dilution as a form of damage in that case is tantamount to the court protecting the prestige worth and market value of the name "Scotch Whisky" as well as preventing the possibility of dilution to that prestige.<sup>27</sup>

Apart from genericisation, dilution of a trade mark may also take the form of erosion of the uniqueness of a trade name or mark. This was considered by Kamalanathan Ratnam JC (as he then was) in *Service Master (M) Sdn Bhd v MHL ServiceMaster Sdn Bhd & Anor and another application*.<sup>28</sup> In that case, the plaintiffs were involved in the provision of air-conditioning systems and electrical installations while the defendants' activities were in the provision of support management services particularly in the area of healthcare facilities in hospitals. The plaintiffs brought a passing off action against the defendants for adopting the word "ServiceMaster" in their business name, thereby passing off their business for that of the plaintiffs. The judge dismissed the action for passing off as he found that the plaintiffs

<sup>24</sup> *Supra* n 22 at p 298.

<sup>25</sup> The remedies granted by the court included an injunction to restrain the defendants from continuing with their acts of passing off and account of profits.

<sup>26</sup> *Supra* n 22 at p 303.

<sup>27</sup> The difficulty of reconciling the dilution doctrine with the fundamental principle that passing off does not protect the trade mark *per se* has been highlighted by a number of commentators. In particular, see Cart, Hazel, "Dilution and Passing Off: Cause for Concern" (1996) 112 *LQR* 632.

<sup>28</sup> [1998] 5 *MLJ* 378.

had failed to establish that they had goodwill in the defendants' business activity. In considering damage, the court found that the plaintiffs had not suffered any loss of sales through the defendants adopting a similar name for their business. In addition, the judge also held that the plaintiffs had not shown any erosion of their name.<sup>29</sup> This aspect of the judge's decision leaves the impression that local courts may be willing to protect a trade name or mark against erosion if evidence of such damage is established.

More recently, the case of *Petroliam Nasional Bhd (Petronas) & Ors v Khoo Nee Kiong*<sup>30</sup> provides further support that the doctrine of dilution of well-known trade marks is a recognised facet of the law of passing off in this country. The plaintiffs in that case were well-known national petroleum corporations in Malaysia and conducted businesses under the trade mark "Petronas". The defendant, who was the sole proprietor of a business, registered several domain names comprising the word "petronas". The domain names included "petronasdagangan.com", "petronasgas.com", "petronasdagangan.com" and "mypetronas.com". The intention of the defendant was to sell those domain names. Apart from that, the defendant had also maintained a website with the address "www.petronasgas.com" which provided information about the plaintiffs. Consequently, the plaintiffs sought an injunction against the defendant, *inter alia*, for passing off and defamation.<sup>31</sup> In an application for an inter parte interlocutory injunction, the court relied on the English Court of Appeal's decision in *British Telecommunications plc and Another v One in A Million Ltd & Ors and Other Actions*<sup>32</sup> to arrive at its conclusion that the domain names containing the word "petronas" amounted to passing off the defendant's business as that of the plaintiffs'. Citing important passages

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<sup>29</sup> *Id* at 392.

<sup>30</sup> [2003] 4 CLJ 303.

<sup>31</sup> The court clarified that the disputed domain names had been transferred to the first plaintiff by the time the case came before the court because of the dispute resolution proceedings filed by the plaintiffs with the World Intellectual Property Organisation.

<sup>32</sup> [1999] FSR 1.

from the *British Telecommunications* case,<sup>33</sup> Su Geok Yiam JC held that the registration by the defendant of domain names comprising the plaintiffs' well-known trade mark resulted in an erosion of the exclusive goodwill in the well-known trade mark and would, consequently, damage the reputation of the mark. The court also found that the defendant's domain names comprised instruments of fraud and any realistic use of the domain names would result in passing off. Since there were serious questions to be tried in the case, the court granted an interlocutory injunction against the defendant.

While these cases suggest that local judges are amenable to the concept of dilution of well-known trade marks, fundamental aspects of the law of dilution, such as what actually constitutes dilution of trade marks and how the concept would fit into the landscape of the law of passing off in this country, need to be further explored by the local judges. The Privy Council's decision in *Star Industrial Company Ltd v Yap Kwee Kor*<sup>34</sup> that there is no right of property in a plaintiff's trade mark *per se* may militate against the easy development of the dilution doctrine within the confines of passing off. This is because the remedy of dilution of well-known trade marks focuses on the trade mark *per se* since it is concerned with preventing the erosion of the singularity and exclusivity of the well-known trade mark to call to mind a specific product.

#### **IV. The Need for a Remedy Against the Dilution of Well-Known Trade Marks**

From the above discussion, it may be surmised that the underlying basis for protection of well-known trade marks under Malaysian trade mark law is the prevention of likelihood of consumer confusion as to the origin of the product. This basis for the protection of well-known trade marks is not suitable to cope with the phenomenon of dilution of well-known trade marks. The advertising function of well-known trade

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<sup>33</sup> *Ibid.*

<sup>34</sup> *Supra* n 19.

marks has never been referred to in Malaysian trade mark law. At the most, it may be suggested that s 14(1)(d) of the Trade Marks Act 1976 is a fledgling step towards recognising the advertising function of such marks. By prohibiting the registration of an identical or nearly resembling trade mark for the same goods or services as that of a well-known trade mark without having to establish a likelihood of confusion, s 14(1)(d) arguably protects not only the indication of origin function but also the advertising function of well-known trade marks. Clearly, such protection of the advertising function is very limited because the scope of s 14(1)(d) is confined only to the situation where the goods or services involved are the same.

To fail to accord full recognition of the advertising function of well-known trade marks is to obscure reality. It also disregards the tremendous investments that well-known trade mark owners have made in establishing a unique identity between the marks and the consuming public. These investments are essential to build and retain the reputation of such marks. The law must evolve to meet the needs and reflect the changes of society and the economy. In a marketplace in which countless symbols clamour for public attention, trade marks do not become well-known without significant expenditure of labour, skill, money and creative efforts. Well-known trade marks are therefore enormously valuable to their owners. At the same time, these marks are extremely fragile assets because any improper use of the marks by other traders can affect the consumers' perceptions of the marks. Thus, protection of this advertising function entails a recognition that the advertising value of well-known trade marks should not be damaged by the acts of other traders which undermine the well-known trade mark's delicate hold on the public mind. Such usurping of a well-known trade mark's hold on the public's mind and the diminution of its value results in the dilution of the well-known trade mark.

## V. Conclusion

Dilution of well-known trade marks can result in severe financial losses to well-known trade mark owners since negative associations can be

triggered in the minds of the consuming public about the well-known trade marks. In turn, this can result in the well-known trade marks losing their focus, clarity, relevance to consumers and eventually disappear among the clutter of products in the marketplace. Bearing in mind the importance of the advertising function of well-known trade marks, it can hardly be doubted that the law should prevent third parties from carrying out unscrupulous acts which may result in the dilution of well-known trade marks. The current Malaysian statutory trade mark law, with its emphasis on the protection of the origin function, is inadequate to cope with such acts of third parties. There is therefore a need for the legislature to give serious considerations on introducing a law to protect well-known trade mark owners against the dilution of their trade marks. The amenability of local judges to the concept of dilution is a good starting point. However, judicial guidance in the form of defining the concept, its exact scope and how the phenomenon of dilution may be proved is clearly needed.