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"GOOD FAITH IN CONTRACT LAW: A COMPARATIVE SURVEY"

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Good Faith in Contract Law:
A Comparative Survey

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Introduction

The law of contracts has generally been understood in the context of the capitalistic market. Encouraged by the eighteenth century pre-market economy, ideas of freedom of contract bloomed in the nineteenth century laissez faire period. Among the results of this period were standard form contracts, exclusion clauses and a strict adherence to the construction of the terms agreed upon. However, the law of contract has undergone much transformation. It is submitted that what may be described as a former traditional treatment of contract law has now been gradually replaced by a modern treatment of contract law. This modern period of contract law has seen the rise in the use of doctrines such as unconscionability[1] and reasonableness[2] to provide more equilibrium and fairness between contracting parties. Besides these, the principle of unjust enrichment has advanced the law of restitution to provide restitutionary relief,[3] and in equity, the fiduciary and constructive trust principle has made equitable remedies attractive in the commercial world.[4]

This paper focuses on yet another modern armour in the law of contract, that is, the doctrine of good faith. Unlike the other doctrines that have by now, found some acceptance, the doctrine of good faith has raised both optimism and pessimism by virtue of its rather amorphous nature. Despite the skeptics, the concept of good faith is already incorporated in significant international instruments. The paper will set out the position of good faith in the civil law system where it is well established, its treatment in the United States and its incorporation in international instruments. In the United Kingdom, the concept of good faith is not accepted and the views for and against good faith will be considered. In Australia, there have been significant developments in advancing good faith in contract law. Finally, this paper will consider the position in Malaysia.

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[1] See the classic Australian *Commercial Bank of Australia v Amadio* (1983) 151 CLR 447 and developments thereafter. The English courts have not been as open to the doctrine although there are some significant cases, see for eg *Credit Lyonnais Bank Nederland NV v Burch.* [1997] 1 All ER 144. In Malaysia, the doctrine is beginning to be recognized, see *Saad Marwi v Chan Hwan Hua & Anor* [2001] 3 CLJ 98; for a commentary on the Malaysian development, see Cheong, May Fong "A Malaysian Doctrine of Inequality of Bargaining Power and Unconscionability After *Saad Marwi*,? [2005] 4 MLJ i-xii.

[2] This concept is used particularly to control exclusion clauses and clauses in restraint of trade.

[3] See the seminal text, Lord Goff of Chivelry & Jones, Gareth, *Law of Restitution* (London: Sweet & Maxwell, 6th ed, 2002). For a Malaysian article, see Cheong, May Fong, "Restitutionary Developments under Part VI, Malaysian Contracts Act 1950" [2005] *Asian Law* 22-42.

[4] For eg, see two article from the English and Australian perspectives, see Millet, PJ, "Equity's Place in the Law of Commerce" (1998) 114 *LQR* 214-227, Mason, Anthony, "The Place of Equity and Equitable Remedies in the Contemporary Common Law World" [1994] 110 *LQR* 238-259 respectively. For a Malaysian perspective, see Malik Imtiaz Sarwar, "Equity and Commerce" [1997] 3 MLJ cxlix-clxxvii.

Good Faith in the Civil Law System

The term "good faith" is difficult to define and has been described in terms of bona fides, and honesty. It also includes a consideration of the legitimate interests of others and in commercial transactions, it may be best understood in terms of fair dealing or at the very least, reasonable standards of fair dealing.

Despite the seemingly vague descriptions above, the concept of good faith has been well established in the continental law/civil law system. In Germany, S 242 of the German Civil Code (*Das Burgerliches Gesetzbuch*: BGB) provides that contracts must be performed in the manner required by good faith and fair dealing, taking into consideration the general practice in commerce. Similarly, Article 1134 of the French Civil Code also stipulates that contracts must be performed in good faith. The Italian Civil Code is more specific and requires good faith in three aspects of contract law, that is, in negotiation (article 1337); interpretation (article 1366) and in the performance of contracts (article 1375). Together with more specific codes, these general provisions on good faith have been effectively used to control contractual unfairness in these jurisdictions.[5]

Good Faith in International Instruments

The concept of good faith has been used in various international commercial instruments. The United Nations Convention on Contracts for International Sale of Goods (1980) provides that in interpreting the Convention, "regard is to be had to … the observance of *good faith* in international trade". Similarly, article 1.7 of the UNIDROIT General Principles for International Commercial Contracts provides that parties should "act in accordance with *good faith and fair dealing*".

The European Commission has adopted the concept of good faith in its documents as well. The Directive on Commercial Agents of 1986 provides for the reciprocal duties of principal and agent. The principal and agent is to 'act dutifully and in good faith' in relation to each other. An important document of great impact is the Directive on Unfair Terms in Consumer Contracts of 1993 which have been followed in the United Kingdom Unfair Terms in Consumer Contracts Regulations 1999. An "unfair term" is defined as follows:

> "… any term which contrary to the requirement of good faith causes a significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer".

This definition has received much commentary. One of the chief concerns is the role played by good faith in the light of the element of "significant imbalance in the parties' rights and obligations"[6] and thus, whether it is necessary for the consumer to establish the state of mind or the motives of the supplier.[7]

Good faith also accepted in the United States

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[5] See Collins, Hugh, "Good Faith in European Contract Law" (1994) 14 *Oxford J Legal Stud* 229-254.
[6] Willet, Chris, "Directive on Unfair Terms in Consumer Contracts" [1994] *Consumer Law Journal* 114-123 at p 120.
[7] Waddams, SM, "Good Faith, Unconscionability and Reasonable Expectations" (1995) 8 *JCL* 55-68 at p 61.

The Uniform Commercial Code, section 1-203 states as follows:

> "every contract or duty within this Act imposes an obligation of good faith and fair dealing in its performance or enforcement".

Good Faith is defined in section 1-201(19) as "the observance of reasonable standards of fair dealing in the trade". This position has been reinforced in the Restatement (Second) of Contracts (1981) where section 205 provides that "every contract imposes upon each party a duty of good faith and fair dealing in its performance and enforcement"

But not in English Law

Besides the exceptional position in insurance contracts where the principle of uberrima fides (utmost good faith) applies, English law has traditionally and still, does not accept the concept of good faith in their general law.[8] The English position rejecting a concept of good faith is often attributed to Bingham LJ's statements in *Interfoto Picture Library Ltd v Stiletto Visual Programmes Ltd*[9] as follows:

> In most civil law systems, and perhaps in most legal systems outside the common law world, the law of obligations recognizes and enforces an overriding principle that in making and carrying out contracts parties should act in good faith. This does not mean that they should not deceive each other … ; its effect is most aptly conveyed by such metaphorical colloquialisms as 'playing fair,' 'coming clean' or 'putting one's cards face upwards on the table.' It is in essence a principle of fair and open dealing …
>
> English law has, characteristically, committed itself to no such overriding principle but has developed piecemeal solutions in response to demonstrated problems of unfairness.[10]

The English courts have preferred to use other specific principles rather than the good faith concept as seen in the control of exclusion clauses. LJ Bingham continued as follows:

> The tendency of the English authorities has … been to look at the nature of the transaction … and the character of the parties to it; to consider what notice the party … was given of the particular condition …; and to resolve whether in all the circumstances it is fair to hold him bound by the condition. This may yield a result not very different from the civil law principle of good faith, at any rate so far as the formation of contract is concerned.[11]

A more recent view was given in *Walford v Miles.*[12] In this case, Lord Ackner stated as follows:

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[8] A similar position has been argued for Canada, see Bridge, Michael, "Does Anglo-Canadian Law need a Doctrine of Good Faith" (1984) 9 *Can Bus LJ* 385-426 at p 412.

[9] [1989] QB 433.

[10] *Ibid* at p 439.

[11] *Ibid* at p 445.

[12] [1992] 2 AC 128

> [T]he concept of a duty to carry on negotiations in good faith is inherently repugnant to the adversarial position of the parties when involved in negotiations. Each party to the negotiations is entitled to pursue his (or her) own interest, so long as he avoids making misrepresentations … A duty to negotiate in good faith is unworkable in practice as it is inherently inconsistent with the position of a negotiating party.[13]

The English courts' rejection against a doctrine of good faith has been due to various underlying policy considerations. The next part sets out the views against and for, the inclusion of good faith into the general law of contract.[14]

Arguments against Good Faith

One concerns for having a good faith element in contract law is that the doctrine in requiring parties to take into account the legitimate interests/expectations of the other is incompatible with adversarial ethnic underpinning English contract law.[15] Following the adversarial system, each party takes care of his or her interest which is best seen from the litigation process in the courts where each counsel is expected to raise matters which will assist his client's case.

Another wider concern is that allowing the good faith element to take root in contract law is akin to setting off a loose canon resulting in 'palm tree justice'. Good faith cannot be distinctly defined and while it presupposes a set of moral standards, the question is whose set of standard that should be? Further, should it be a subjective or objective standard of good faith? A subjective standard would involve the knowledge or absence of facts and events. For instance, in matters affecting property law and possession, the issue of the bona fide purchaser for value is pertinent. An objective standard is the accumulation of external community norms and standards and over a period of time, this has been distilled into rules as in Germany's Civil Code.

The other important issue is whether good faith should be a procedural or substantive concern? In this regard, it is pertinent that even though the doctrine of unconscionability has received clearer acceptance in the common law world, the issue of substantive or procedural unconscionability has not been fully determined.[16] If good faith is to be incorporated into a procedural conduct element, which or all contractual phases should it cover: whether at the formation, performance or enforcement of the contract. The same question arises for the substantive element; should it be considered for in the contract terms concerning performance, termination or enforcement.

A strong argument against good faith regulating substance is that it will impinge on the autonomy and freedom of contract. To the ardent supporters of the market economy, this will erode the very foundation of contract law itself. Freedom of contract and the adherence

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[13] *Ibid* at 138.
[14] See for eg, the Fourth Annual *Journal of Contract Law* Conference ("Good Faith and Fairness in Commercial Contract Law") held in London in September 1993. Some of the papers have been published in the *Journal of Contract Law*. See also, Beatson, Jack & Friedmann, Daniel (eds), *Good Faith and Fault in Contract Law* (Oxford: Clarendon Press, 1995)
[15] See for eg, *Walford v Miles* discussed above.
[16] See for eg, Dugan, Robert, "The Application of Substantive Unconscionability to Standardized Contracts – A Systematic Approach" (1982-83) 18 *New Eng L Rev* 77-108.

of terms agreed to is also necessary to ensure certainty in business. This has been an argument used to ward off attempts to apply the doctrine of unconscionability in *Union Eagle Ltd v Golden Achievement Ltd.*[17] In this case, the deposit for the sale and purchase of a property wsa already paid. However the purchaser was ten minutes late in completing the purchase as a clause in the agreement provided that completion must be made before 5.00 pm on September 1991. Clause 12 provides that in the event of failure to comply with any terms, the deposit to be forfeited and the vendor had the option to rescind. The Privy Council held that terms had to be adhered strictly out of the practical considerations of business. The Board stressed that parties should know with certainty that terms agreed will be enforced.

It is also argued that requiring a goof faith element will involve difficult inquiries of the contractor's state of mind in a search of a person's motives which is often mixed. Allowing an undefined discretion to refuse enforcement on the basis that it is not in good faith is sufficient to create uncertainty. And even if that discretion is not exercised, the existence of such discretion itself enables litigation to be employed as a negotiating tactic. This by itself will cause injustice that cannot be fully compensated by the ultimate decision of the case.

Finally, not all contracting contexts are alike and good faith cannot be imposed across the board. For example, in the commodities market, dealings are intrinsically competitive and as such opportunistic behavior is expected. Even if a good faith requirement is imposed, how should it be framed: whether as a negative element of non-exploitation, non-opportunism, non-shirking or should it be a positive requirement of cooperation, support, assistance. Many of these issues remain to be debated and analysed both from a juristic and commercially practical point of view.

Positive Support for Good Faith

The proponents of a good faith element in contract law have argued that rather than regulating bad faith, it is better to address the issues directly with a good faith doctrine. This is particularly relevant in the area of contractual fairness to ensure both parties achieve fair results. It has been said that good faith as an umbrella principle is useful to cover, unify and fill in the necessary gaps between the ranges of available specific doctrines. Thus, where the factual matrix does not allow the application of the doctrine of unconscionability nor estoppel, and yet there is unfairness or injustice involved, good faith may prove helpful in deciding the form of relief. In this respect, in light of various underlying doctrines and themes in contract law, good faith may also be seen as the middle ground between unconscionability and the fiduciary principle. Finn describes it as follows:[18]

> "Unconscionability" accepts that one party is entitled as of course to act self-interestedly in his action towards the other. Yet in deference to that other's interests, it then proscribes excessively self-interested or exploitative conduct. "Good faith", while permitting a party to act self-interestedly, nonetheless qualifies this by positively requiring that party , in his decision and action, to have regard to the legitimate interests therein of the other. The "fiduciary" standard for its part enjoins one party to act in the in interests of the other – to act selflessly and with undivided

[17] [1997] 2 All Er 215, 218-219

[18] Finn, PD, "The Fiduciary Principle" in Youdan, TG (ed) *Equity, Fiduciaries and Trust* (Toronto, Calgary, Vancouver, 1981) 1.

loyalty. There is, in other words, a progression from the first to the third: from selfish behaviour to selfless behaviour.[19]

It has also been argued that good faith aids in protecting reasonable expectations of contracting parties. Thus, it is argued that when parties enter into contracts, they intend to perform and receive the fruits of the bargain. In this respect, the element of good faith will contribute to a culture of trust and cooperation and thus enhances the autonomy of contractors and ultimately the market economy as a whole.

Good Faith Developments in Australia

One of the primary cases in support of a good faith requirement is Priestly LJ's decision in *Renard Construction (ME) Pty Ltd v Minister for Public Works.*[20] In this case, a clause in the building contract authorized the principal to take over the whole or any part of the contract or cancel the contract, if contractor fails to comply with the principal's direction, however minor or accidental it might be, and regardless of importance or otherwise of its subject matter. The Court held that the party has to exercise the power reasonably and views were opined that this is a strong case for Australia to adopt the concept of good faith in the performance and enforcement of contract, as prevailing in Europe and in the United States. This case was followed in various cases later.[21]

In two other cases, the Australian courts have implied the duty of good faith and fair dealing in contracts. In *Hughes Aircraft Systems InternationalV Airservices Australia*[22] which involved the procurement of contracts by a competitive tender process, the Court held that a public body has a duty to deal fairly with the tenderers in the performance of the contract. This duty of good faith and fair dealing is implied by law in all contracts. Similarly, in *Alcatel Australia Ltd v Scarcella*,[23] the Court implied a duty of good faith in performing obligations and exercising rights in relation to a lease. The Court held that the lessee was not in breach of the implied duty of good faith for demanding more fire safety requirements if it thought that Council's existing requirements were insufficient.

However, not all judges have accepted the good faith doctrine. Different view were given in *Service Station Association Ltd v Berg Bennet & Associates Pty Ltd*[24] and Gummow J had preferred precise rules rather than general overarching principles.

An interesting case where the facts are very relevant is *Burger King Corp v Hungry Jack's Pty Ltd.*[25] In this case, Burger King had franchise agreements with Hungry Jack's for a term of 15 - 20 years with provisions for one renewal of the same term. Under one of the agreements, Hungry Jack's had an unrestricted and non-exclusive right to develop franchised restaurants throughout Australia. The agreement was for 5 years, with renewal provisions, provision for termination for breachand a 30 day notice was required to be given in respect of any breach capable of cure. From 1993, Burger King decided to enter the Australian market,

[19] Ibid, at p 4.
[20] (1992) 26 NSWLR 234.
[21] See the *Burger King* case discussed below, see also *Hughes Bros Pty Ltd* v *Trustees of the Roman Catholic Church for the Archdiocese of Sydney*. (1993) 31 NSWLR 91.
[22] (1997) 146 ALR 1.
[23] (1998) 44 NSWLR 349
[24] (1993) 117 ALR 393
[25] (2001) NSWCA 187. See also a later case, *Royal Botanic Gardens and Domain Trust v South Sydney Council* (2002) 186 ALR 289, 312, 327.

either by buying out Hungry Jack's or forming a joint venture arrangement. During 1994, the parties entered into discussions with the Shell Oil Company Australia about the feasibility of establishing outlets in Shell service stations under the brand name "Hungry Jack's" as a tripartite venture. However, during the course of these discussions, Burger King began dealing with Shell separately, and concluded an agreement, without Hungry Jack's knowledge. There werre continuing disputes between the parties which intensified from 1993-1995. In late 1996, and again in 1997, Burger King served notices of termination on Hungry Jack's. One of the issues was whether these purported terminations were valid and whether Burger King had breached its implied obligations of good faith and reasonableness in the agreement.

Rolfe J held that Burger King had breached the implied term of good faith that Burger King must act in good faith in the exercise of its contractual powers. Further, Burger King also breached two other implied terms. First, Burger King had breached the implied term of cooperation to do all that was reasonably necessary to enable Hungry Jack's to enjoy the benefits of the agreement. In this case, Burger King had delayed in making necessary communications and failed to comply with process requirements which resulted in Hungry Jack not meeting its contractual obligation. Secondly, Burger King had breached the implied term of reasonableness to act reasonably in exercising its powers under the agreement. Rolfe J held that Burger King could not take advantage of its own inappropriate behavior and therefore awarded Hungry Jack $60 million damages for delay in opening restaurants, loss of opportunity to introduce third party franchisees and loss of service royalties. Burger King appealed.

The New South Wales Court of Appeal[26] dismissed Burger King's appeal. The Court agreed with the Rolfe J's decision that the failure to comply with the contract as well as the use of contractual provisions for improper purposes amounted to a breach of good faith and reasonableness. It was a wrongful repudiation which justified compensation through damages. Thus, the purported termination was invalid.

In arriving at its decision, the Court referred to statements of Priestly JA in *Renard's* case regarding the expectations of good faith behaviour. The Court also cited *Alcatel's* case which implied terms on good faith and reasonableness. In *Alcatel's* case, Sheller JA's extended the implication of such terms into commercial contracts, in relation to performing obligations and in exercising rights. In *Burger King* case, the Court also held that there was no difference in the elements of good faith and reasonableness.[27] From this decision, it can be concluded that the Court applied both the positive and negative elements in viewing good faith, that is, a duty to cooperate to ensure the other party obtain the fruits of its bargain and at the same time, not to act in a manner to prevent the performance of or withhold the benefits from the contract.

The Malaysian Position on Good Faith

In Malaysia, the concept of good faith in contract is a relatively new concept and is not developed. Neither has it seen the same kind of corresponding Australian development as

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[26] Consisting of Sheller, Beazley and Stein JJA

[27] *Cf* a different view on this, see Peden, Elisabeth, *Good Faith in the Performance of Contracts* (LexisNexis Butterworths Australia, 2003) pp 176-178

seen in other concepts such unconscionability,[28] or estoppel.[29] In these latter concepts, the developments in Australia were later followed in the Malaysian local cases.

There are a few cases concerning good faith in contract law.[30] In an early case, *Pasuma Pharmacal Corpn v McAlister & Co. Ltd*[31] concerning a five year agreement concerning the distribution of stocks of chicken essence,[32] the Federal Court allowed Pasuma's appeal. Thomson LP held that looking at the circumstances of the contractual relationship between the parties, "it is difficult to resist the conclusion that there was an implied condition that in relation to their business as covered by the contract the parties should be **reasonably honest and truthful** with each other".[33] It is pertinent that the Court referred to the implied condition and in acknowledging good faith, applied an objective standard.

In *Perbadanan Kemajuan Ekonomi Negeri Johor v Lim Shee Pin & Anor,*[34] the plaintiffs accepted tenders from the defendants to extract timber from virgin land at a stated tender price. However, the defendants found out later that the land was not virgin land and refused to pay the full amount. The defendants made a representation to the Forest Department which had originally permitted the plaintiffs to extract timber and the Forest Department agreed to reduce the whole workable area from 2,060 acres to 776 acres. The plaintiffs however refused to reduce the tender price pro rata on the ground that the defendants could have inspected the area since they had the means and opportunity to do so. Thus, they should have realized the error. The High Court held that the plaintiff should have in equity and **good conscience** reduced the amount payable to them pro rata. The Court thus reduced it accordingly.

In *Ho Shee Jan v Stephens Property Sdn Bhd,*[35] the Court invoked the doctrine of estoppel by conduct as well as requirements of good faith and fair dealings in the performance of the contract. In this case, the plaintiff was the transferee of shares held in the defendant company. The Articles of Association of the company required the transfer form to be sent to the company's registered office. Although the plaintiff's transfer form was sent to the company secretary instead of the company's registered office, the company

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[28] Thus, *Commercial Bank of Australia v Amadio* (1983) 151 CLR 447 referred to in *Saad Marwi v Chan Hwan Hua & Anor* [2001] 3 CLJ 98 (Court of Appeal).
[29] Thus, *Walton Stores (Interstate) Ltd v Maher* (1988) 164 CLR 387 was followed in *Boustead Trading (1985) Sdn Bhd v Arab-Malaysian Merchant Bank Sdn Bhd* [1995] 3 MLJ 331 (Federal Court)
[30] This part will not deal with issues of good faith in specific contracts such as contracts for sale and purchase of land. In this respect, see particularly, section 26 of the Specific Relief Act 1950 concerning relief against parties and persons claiming under them by subsequent title, providing for the exception of a transferee for value who has paid his money in good faith and without notice of the original contract. For a case of good faith on partnership agreements, see the Federal Court decision of *Vasu Devan S/O T.K. Nair & 2 Ors v Velu Achuthan Nair* (1985)1 CLJ 160.
[31] (1965) 1 MLJ 221 (Federal Court) Civil Appeal from Singapore.
[32] Under the agreement, McAlister was to by from Pasuma all the chicken essence they could sell and it was to sell it under their "Appollo" trade mark. It was also agreed that McAlister was not to sell it outside the area covered by the agreement and vice versa, Pasuma was not allowed to sell chicken essence in the area covered by McAlister. Later, both parties agreed to add a new provision that Pasuma was to replace any defective stock supplied by them. Disputes arose relating to performance and Pasuma alleged that McAlister had allowing stocks of inferior quality to remain in the market despite an undertaking that they would replace old stock with new ones delivered by Pasuma. Pasuma also alleged that McAlister had fraudulently inflated the amount of chicken essence to be replaced by Pasuma.
[33] Ibid, at pg. 226
[34] (1986) 1 MLJ 184.
[35] (1986) 2 MLJ 43

acknowledged receipt of the plaintiff's form and advised him that his application had been tabled before the company board on 1 December 1980. The Articles of Association expressly provide that if the directors refused to register a transfer, a notice of the refusal must be served on the transferee within one month after the date on which the transfer was lodged. Five months later the plaintiff was informed that his application for the transfer of the shares was refused by the board of directors. On the plaintiff's application to the court for the registration of the shares, the defendants argued that the plaintiff's transfer form was not properly lodged as required by the Articles of Association. The Court held that the company was estopped by its conduct and that it must be fair in its dealings. In this case, it would be unfair or unjust to allow the company to say that the lodgement of the transfer form was invalid since the board had led the plaintiff to believe that the lodgement was valid by holding a board meeting to consider the transfer without questioning its lodgement.

Conclusion

The above comparative survey of the extent of acceptance of a good faith element in contract law shows variation among jurisdictions. The origin and continued use of good faith in the civil law system shows its viability despite its broad and general nature. In the common law system, the Australian developments in the light of the traditional common law as shown in the current position in the United Kingdom, is a refreshing approach to supporters of modern contract law. However, the incorporation of the good faith element in the EC Directive which is followed in the UK Regulation, on unfair terms in consumer contracts, will likely influence the English position in future as more cases are decided and the Directive interpreted by the courts. In Malaysia, there does not appear to be any immediate impetus to develop the concept of good faith in contract law. However, in light of the function of good faith as an umbrella doctrine to promote fairness and equality between contracting parties, Malaysian lawyers and the courts should continue to have an open approach to develop this doctrine.

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Recent developments in Malaysian law of passing off

The tort of passing off occurs where a trader misrepresents that his goods or services are those of the plaintiff so as to cause damage to the plaintiff's business goodwill. The law of passing off is concerned with misrepresentations made by one trader which damage the goodwill 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.[1] 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.[2]

The law of passing off in Malaysia is based on the English common law principles of passing off. This is because section 3 of the Civil Law Act 1956 provides that West Malaysia shall receive the common law of England and the rules of equity as administered in England on 7 April 1956. By the same section, Sabah and Sarawak received the common law of England and the rules of equity together with statutes of general application as administered in England on 1 December 1951 and 12 December 1949 respectively.

In modern times, as new and sophisticated marketing techniques develop, the boundaries of the law of passing off have expanded so as to meet changing conditions and practices in trade. The ability of the law of passing off to respond to commercial progress reflects the flexible nature of the tort. Since the beginning of the 21st century, a number of interesting cases were decided which are likely to shape the further development of the law of passing off in Malaysia. First, as the last century drew to a close, there was a trend among Malaysian judges to willingly find the existence of goodwill despite very minimal trading activity in the country. This trend has taken a step further in the recent case of *Thrifty Rent-A-Car System Inc v Thrifty Rent-A-Car Sdn Bhd & Anor.*[3] The court in that case stated, in obiter, that reputation, as opposed to goodwill, was sufficient for a passing off action. Secondly, where well-known trade marks are concerned, the recent case of *McDonald's v McCurry Restaurant (KL) Sdn Bhd*[4] suggests that judges are more amenable to find the existence of misrepresentation and confusion among the public. Thirdly, Malaysian judges have accepted that dilution of trade marks is a form of actionable damage in passing off. However, what amounts to the dilution of trade marks, the prerequisites for establishing that dilution has occurred and the issue of whether the concept of dilution fits within the theoretical framework of the law of passing off have not been addressed by Malaysian judges.

Proving an action for passing off

In *Erven Warnink BV v J Townend & Sons (Hull) Ltd,*[5] Lord Diplock in the House of Lords laid down five minimum requirements which must be established by the plaintiff in a passing off action. These five requirements are as follows:

(i) misrepresentation
(ii) made by a trader in the course of trade

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[1] *Star Industrial Company Ltd v Yap Kwee Kor* [1976] 1 MLJ 149, *Boh Plantations Sdn Bhd v Gui Nee Chuan & Ors* [1975] 2 MLJ 213. Although the rationale of the law of passing off is to protect the goodwill of traders, consumers benefit at the same time because they are protected against misinformation which may distort consumer choice.

[2] *Spalding (AG) & Bros v AW Gamage Ltd* (1915) 32 RPC 273, *Star Industrial Company Ltd v Yap Kwee Kor*, ibid at 155 per Lord Diplock.

[3] [2004] 7 MLJ 567.

[4] D6-22-989-2001 (decision delivered orally in chambers by Siti Mariah Ahmad J on 7 September 2006).

[5] [1980] RPC 31 at 93.

(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.

The applicability of these requirements to passing off actions in this country was confirmed by the Malaysian Supreme Court in *Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd.*[6] Lord Diplock's formulations were further reduced to three elements by Lord Oliver in *Reckitt & Colman (Products) Ltd v Borden Inc.*[7] These elements are goodwill, misrepresentation and damage, which collectively are often termed the 'classic trinity'.

Attack on goodwill

Goodwill is normally created by conducting business in this country[8] and very slight business activity has been held to be sufficient.[9] In *Inland Revenue Commissioners v Muller & Co Margarine Ltd*,[10] 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.[11] The law of passing off makes a distinction between the goodwill of a business which uses the trade mark and the reputation of the trade mark itself. Although a trade mark may be known in this country and, thus, enjoys local reputation, it does not necessarily follow that goodwill in the business which is sustained by that trade mark exists here. Goodwill cannot exist in a vacuum but only in connection with the business which uses the trade mark.[12] The goodwill of a business is a form of legal property which represents the connection between the business of the trader and his customers.[13] Goodwill is territorial in nature. Reputation, on the other hand, is a matter of fact which depends on the extent to which the distinguishing indicia is known to the public.[14] While goodwill cannot exist without any trading activity in this country, a trade mark's reputation can exist without goodwill.

Although the law of passing off protects the goodwill of a trader's business, the notion of reputation is increasingly given prominence in some jurisdictions. This is a direct result of the growth of international trade, worldwide travel and advancement in communication technology such as radio, television and the Internet. In a sense, reputation is relevant to the law of passing off because where the goods or services passed off by another trader are inferior, the reputation of the trade mark will be adversely affected which, in turn, will injure

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[6] [1994] 2 MLJ 770 at 781 per Gunn Chit Tuan CJ (Malaya).
[7] [1990] RPC 341.
[8] *Star Industrial Co Ltd v Yap Kwee Kor*, supra n1.
[9] *Compagnie Generale Des Eaux v Compagnie Generale Des Eaux Sdn Bhd* [1993] 1 MLJ 55 (interlocutory proceedings), [1996] 3 AMR 4015 (trial of action).
[10] [1901] AC 217 at 223.
[11] *Star Industrial Co Ltd v Yap Kwee Kor*, supra n1 at 155 per Lord Diplock, *H & R Johnson Tiles Ltd & Anor v H & R Johnson (M) Bhd* [1998] 4 MLJ 13, *Electro Cad Australia Pty Ltd & Ors v Mejati RCS Sdn Bhd & Ors* [1998] 3 MLJ 422.
[12] *Anheuser-Busch Inc v Budejovicky Budvar NP* [1984] FSR 413.
[13] Kitchin, David (et al), Kerly's Law of Trade Marks and Trade Names, 13th ed (London, Sweet & Maxwell, 2001) at para 14-80.
[14] Kitchin, ibid.

the goodwill in the business of the trader. In addition, in proving misrepresentation, which is an essential element in passing off actions, the reputation of the trade mark in the sense of it being recognised by a sufficiently large proportion of the public is often called into question.

The extent to which foreign traders are required to conduct business locally in order to generate local goodwill is clearly important to those traders who wish to institute passing off actions. In *Athletes Foot Marketing Associates Inc v Cobra Sports Ltd and Another*,[15] Walthon J identified two approaches which courts had adopted to determine whether foreign traders had goodwill to commence passing off actions. The first approach, or the 'hard line' school of thought, adopts the orthodox view that a foreign trader must carry on some business activity within the jurisdiction in order to acquire a locally situated goodwill. Such an approach operates on the basis that goodwill is exclusively territorial and if the business is carried on in several countries, a separate goodwill attaches to it in each of these countries. An instance of the 'hard line' school of thought is the case of *Alain Bernardin et Compagnie v Pavilion Properties Ltd.*[16] In that case, the plaintiff, who was the proprietor of the 'Crazy Horse Saloon' in Paris, applied for an interlocutory injunction to restrain the defendant from carrying on business under the same name in London. Pennycuick J refused to grant an interlocutory injunction because the plaintiff had not conducted any business activity in the United Kingdom to create goodwill, albeit he had customers from the United Kingdom The second approach, or the 'soft line' school of thought, does not require actual trade, business activity or customers within the jurisdiction for goodwill to be established. This approach recognises that an international business may have one individual goodwill which transcends territorial boundaries. Nevertheless, there must be evidence of reputation in the jurisdiction in which the passing off action is brought although business activities need not be carried on within that jurisdiction.[17] This view was adopted by Graham J in *Baskin-Robbins Ice Cream Co v Gutman*[18] and *Maxim's Ltd v Dye*.[19] In *Baskin-Robbins* case,[20] the plaintiffs, who were a famous American ice-cream chain, had an international reputation but had not traded in England. The defendants began operating an ice-cream parlour in England using a similar style and logo as the plaintiffs. Graham J recognised that some businesses were truly international in character and the reputation as well as the goodwill attaching to them cannot in fact help being international also. His Lordship refused to confine goodwill to geographical areas and held that international reputation could protect plaintiffs who do not trade within the jurisdiction. His Lordship applied the same analysis in *Maxim's Ltd* case[21] where the plaintiffs, who were the owners of the famous Parisian restaurant, had successfully objected to the use of the same name for a restaurant in England. Graham J was of the view that the plaintiffs had sufficient reputation in England even though they did not have any business there.

In Malaysia, prior to the recent decision in *Thrifty Rent-A-Car System Inc v Thrifty Rent-A-Car Sdn Bhd & Anor*,[22] Malaysian judges followed the 'hard-line' school of thought approach. While the Malaysian courts insist on the requirement of goodwill, judges have been liberal in accepting evidence of slight local trading as sufficient to establish goodwill.

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[15] [1980] RPC 343 at 349.

[16] [1967] RPC 581.

[17] This view was adopted by Graham J in *Baskin-Robbins Ice Cream Co v Gutman* [1976] FSR 545 and *Maxim's Ltd v Dye* [1977] FSR 364.

[18] [1976] FSR 545.

[19] [1977] FSR 364.

[20] Supra n18.

[21] Supra n19.

[22] Supra n3.

For instance, in *Dun & Bradstreet (Singapore) Pte Ltd & Anor v Dun & Bradstreet (Malaysia) Sdn Bhd,*[23] it was held that a foreign company which entered into a number of contracts with local companies had sufficient business activity to establish goodwill. In that case, the first plaintiff was the Singapore subsidiary of the second plaintiff. The second plaintiff were members of an established group of international companies which enjoyed a substantial reputation, particularly in credit information services. According to the first plaintiff, they had extended their business to Malaysia in 1989 by placing advertisements in local newspapers recruiting candidates for the position of sales executive to co-ordinate sales of the first plaintiff's business in Malaysia. The first plaintiff had also exhibited no less than thirty-one subscription agreements entered into between the first plaintiff and various Malaysian entities. Sometime in early 1992, the first plaintiff decided to incorporate a company in Malaysia as part of its business expansion. However, the first plaintiff discovered that they could not do so as the name 'Dun & Bradstreet' had already been taken up by the defendant. The plaintiffs thus brought an action to restrain the defendant from passing off the business of the plaintiffs as that of the defendant by the use of the name 'Dun & Bradstreet'. It was argued by the defendant that as the plaintiffs had neither obtained permission to conduct business in Malaysia nor registered any company there, there could not have been any goodwill to protect. The presiding judge, Malek J (as he then was), held that reputation and some market activity in the jurisdiction were sufficient to establish a business goodwill entitled to protection. His Lordship distinguished the 'hard-line' approach adopted in *Athlete's Foot Marketing Associates Inc v Cobra Sports Ltd and Another*[24] on the facts because the plaintiffs in the case before his Lordship had entered into contracts with Malaysian companies and had acquired the requisite goodwill to maintain a passing off action. An interlocutory injunction was thus granted in favour of the plaintiffs.

In *Thrifty Rent-A-Car System, Inc v Thrifty Rent-A-Car Sdn Bhd & Anor,*[25] Faiza Tamby Chik J in the High Court stated, in obiter, that a more liberal and flexible approach in determining whether a foreign plaintiff had acquired goodwill should be adopted. In that case, the appellant was an American company established in 1958. It was in the business of, inter alia, automobile rental and travel agency services using the 'THRIFTY' mark. It was the registered proprietor of the 'THRIFTY' mark in many countries in the world. The appellant had advertised and promoted its business extensively in Malaysia and Singapore. In addition, its local franchisee had been using the 'THRIFTY' mark since early 1985. The first respondent, a Malaysian company, filed an application to register the 'THRIFTY RENT-A-CAR' mark in respect of stationery materials. Both the first respondent's and appellant's marks were identical. The appellant's action against the respondents was based on two causes of action. The first relates to opposition to the registration of the first respondent's trade mark under the Trade Marks Act 1976.[26] The second is concerned with the law of passing off. With regard to passing off, the appellant argued that the use or registration of the 'THRIFTY' mark by the first respondent constituted passing off. The court found that the appellant had acquired substantial goodwill and reputation in the 'THRIFTY' mark by virtue of extensive use and promotion of its business and services. On the facts of the case, the court found that the action for passing off had been made out. Although it was clear that the appellant had

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[23] [1993] 2 AMR 46. See similar decisions in earlier cases such as *Compagnie Generale Des Eaux v Compagnie General Des Eaux Sdn Bhd* [1993] 2 AMR 46 and *Westpac Banking Corp v Goodmaker Leasing Corporation Bhd & Anor* 8 IPR 9.

[24] Supra n15.

[25] Supra n3.

[26] As the cause of action based on the Trade Marks Act 1976 was concerned with the statutory protection of trade marks, this paper will not discuss this aspect of the appellant's claim.

been conducting business in Malaysia through its franchisee and therefore had acquired local goodwill, the judge cited a number of foreign decisions which had held that a passing off action could be maintained despite the absence of local trading activity. On this point, the judge stated as follows:[27]

> I think the courts in Malaysia should adopt a more liberal and flexible approach in evaluating whether a foreign plaintiff has acquired goodwill or reputation, as is the trend in other Commonwealth jurisdictions in recent years. In *ConAgra Inc v McCain Foods (Aust) Pty Ltd* 23 IPR 93, the Full Federal Court of Australia held that it is not necessary that a plaintiff, to maintain a passing-off action, have a place of business in Australia nor for his goods to be sold in that country. It is sufficient if his goods have a reputation (as opposed to goodwill) in Australia among persons of a sufficient degree to establish there is likelihood of deception among consumers and damage to his reputation. Reputation may be proved by a variety of means including advertisements in various forms of media and exposure of people within the forum to the goods of the overseas owner. The Court also held that it is necessary for the plaintiff to establish that within the jurisdiction there are a substantial number of persons who are aware of the plaintiff's product and these persons may be residents or visitors from outside the jurisdiction.

It is evident from the above passage that Faiza Tamby Chik J advocated the acceptance of reputation, instead of goodwill, as sufficient for a passing off action. Such an approach displaces goodwill as the essential basis of an action for passing off. It substitutes goodwill as the legal property protected by the law of passing off with reputation, which is a non-proprietary interest. It is submitted that protecting the reputation of a trade mark is contrary to the established principle laid down in *Spalding (AG) & Bros v AW Gamage Ltd*[28] that there is no right of property in a trade mark per se.

Misrepresentation and well-known trade marks

Passing off is a tort of misrepresentation and, thus, misrepresentation is an essential element of all passing off actions. The misrepresentation may be express or implied.[29] It is a prerequisite that the misrepresentation must have deceived or is likely to deceive the prospective customer.[30] The most common form of misrepresentation is to the effect that the goods or services of the defendant are those of the plaintiff[31] or are associated with the plaintiff.[32] The categories of misrepresentation are not closed as is evident particularly from cases involving the use of well-known trade marks on the Internet. This follows from the flexibility of the tort of passing off in meeting new forms of unfair trading.

Where well-known trade marks are concerned, the recent case of *McDonald's* v *McCurry Restaurant (KL) Sdn Bhd*[33] seems to suggest that judges are more amenable to find the

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[27] Supra n3 at 583.
[28] Supra n2.
[29] *Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd* [1994] 2 MLJ 770 at 782 per Gunn Chit Tuan CJ (Malaya).
[30] Ibid.
[31] This is also the earliest form of misrepresentation in passing off.
[32] For the categories of misrepresentation which have been recognised as actionable in passing off, see Wadlow, Christopher, The Law of Passing-Off: Unfair Competition by Misrepresentation, 3rd ed (London, Sweet & Maxwell, 2004) at Chapter 7.
[33] Supra n4.

existence of misrepresentation and, hence, confusion among the public. In that case, the High Court decided that the well-known McDonald's Corporation had the exclusive right to the use of the prefix 'Mc' over items of food even though the food items were not the typical burger and fries but were Asian in nature. The defendant, which was a 24-hour open-air restaurant serving Malaysian Indian cuisine, operated under the name McCurry Restaurant (KL) Sdn Bhd in Kuala Lumpur. It had a signage which featured colours that were distinctive of McDonald's restaurants. Its red and gold logo also featured a chicken giving a thumbs-up sign. Despite the difference in the type of foods served, the High Court judge found that the defendant's use of the prefix 'Mc' could give rise to confusion and deception. As the action was brought based on the law of passing off, the High Court judge did not restrict herself to merely a comparison of both marks but also took into account the fact that the defendant's signage featured colours which were distinctive of the plaintiff. The court restrained the defendant from using the 'Mc' prefix. The court further found that the act of the defendant could cause an erosion to the singularity which the plaintiff had enjoyed vis-à-vis the prefix 'Mc'. The effect of this decision is to grant the plaintiff a monopoly over the prefix 'Mc' on all food products. The defendant has appealed to the Court of Appeal against this decision.

It is humbly submitted that judges should be wary of allowing any party to monopolise common words. The prefix 'Mc' is a common Scottish surname. The McDonald's mark and McCurry's mark have no resemblance to each other and, conceptually, both marks are different. The products in both cases are different although they are food items. It is difficult to understand how the judge came to the conclusion that likelihood of confusion existed on the part of the public. The issue of likelihood of confusion has to be looked at globally taking into account all the circumstances, such as the similarities between the goods and the impression which the marks leave in the public's mind.

Dilution as a form of damage

Since the law of passing off is concerned with misrepresentations made by one trader which damage the business goodwill of another, it is essential that the defendant's misrepresentation should be likely to cause damage to the business goodwill.[34] Although actual damage need not have occurred, it must at least be proved that there is a likelihood of damage.[35] Various heads of damage have been recognised as actionable in a passing off action, the most common being loss of sales. Other heads of damage which have been recognised by local courts, though less frequently, are injurious association,[36] devaluation of the plaintiff's reputation,[37] exposure to liability or risk of litigation,[38] loss of control over the plaintiff's

[34] *Erven Warnink BV v J Townend & Sons (Hull) Ltd*, supra n5.

[35] *Compagnie Generale Des Eaux v Compagnie Generale Des Eaux Sdn Bhd*, supra n23.

[36] *Compagnie Generale Des Eaux v Compagnie Generale Des Eaux Sdn Bhd*, ibid, *Revertex Ltd & Anor v Slim Rivertex Sdn Bhd & Ors* [1991] 1 MLJ 508, *H & R Johnson Tiles Ltd & Anor v H & R Johnson (M) Bhd* [1998] 4 MLJ 13.

[37] *York Pacific Holdings Ltd v U-Re Auto Sdn Bhd* [1998] 5 MLJ 84 where the defendants sold inferior quality coupler units under the same trade mark as the plaintiff.

[38] *York Pacific Holdings Ltd v U-Re Auto Sdn Bhd*, ibid, where the inferior quality coupler units sold by the defendant under the same trade mark as the plaintiff's units might fail while in use on trailers resulting in serious accidents. This might expose the plaintiff to litigation even though the litigation might be successfully defended.

reputation,[39] false connection that leads to the disfavour of the customers[40] and loss of opportunities for brand extension, including licensing.[41]

More recently, dilution of trade marks have been accepted by Malaysian courts as a form of actionable damage in passing off. In *The Scotch Whisky Association & Anor v Ewein Winery (M) Sdn Bhd*,[42] 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*[43] 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 the defendants' products were indeed 'Scotch Whisky'.[44] The interesting aspect of the judgment which impacts most significantly on the law of passing off in Malaysia relates to the issue of damage. Apart from granting the plaintiffs the remedies which they had sought,[45] 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.[46] 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.[47]

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*.[48] 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

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[39] *Compagnie Generale Des Eaux v Compagnie General Des Eaux Sdn Bhd,* supra n23.
[40] *Lord's Tailor Sdn Bhd v Seow Sing For (t/a Tukang Jahit Lord's)* [1993] 4 CLJ 165, *Horne Asia Sdn Bhd & Anor v Ozvent (M) Sdn Bhd & 2 Ors* [1995] 1 AMR 677.
[41] *Compagnie Generale Des Eaux v Compagnie General Des Eaux Sdn Bhd*, supra n23.
[42] [1999] 6 MLJ 280.
[43] Supra n5.
[44] Supra n42 at 298.
[45] 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.
[46] Supra n42 at 303.
[47] 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 Carty, Hazel, 'Dilution and Passing Off: Cause for Concern' (1996) 112 LQR 632.
[48] [1998] 5 MLJ 378.

plaintiffs. The judge dismissed the action for passing off as he found that the plaintiffs 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.[49] This aspect of the judge's decision suggests that local courts may be willing to protect a trade name or mark against erosion if evidence of such a damage is established.

The case of *Petroliam Nasional Bhd (Petronas) & Ors v Khoo Nee Kiong*[50] provides further support that the doctrine of dilution of 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 'petronas-dagangan.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.[51] 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*[52] 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 from the *British Telecommunications* case,[53] 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*[54] 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 the law of passing off. This is because the remedy of dilution of trade marks focuses on the trade mark per se since it is concerned with preventing the erosion of the singularity and exclusivity of the trade mark to call to mind a specific product.

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49 Ibid at 392.
50 [2003] 4 CLJ 303.
51 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.
52 [1999] FSR 1.
53 Ibid.
54 Supra n1.

Conclusion

From the above discussion, it may be surmised that Malaysian judges are keen to develop the law of passing off to meet the needs and demands of international trade. This may be seen in the liberal and pragmatic approach of Malaysian courts in finding the existence of goodwill where a foreign trade mark owner has minimal business activity in the country, the ease of finding the existence of misrepresentation and confusion where well-known trade marks are involved and the acceptance of dilution of trade marks as a form of actionable damage in passing off. While these may be the court's response to commercial progress, there is always the need to be careful that the law of passing off should not be indiscriminately extended beyond its rationale. There is a need to adhere to the classic trinity of goodwill, misrepresentation and damage. If the tort is not kept within bounds, it may ultimately result in competition being stifled.

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