

**THE ELEVENTH
LAW ASIA INTERNATIONAL MOOT COMPETITION**

10TH – 15TH AUGUST, 2016

**THE KUALA LUMPUR REGIONAL ARBITRATION CENTRE
AT SRI LANKA**



<p>ON BEHALF OF:</p> <p>CHELSEA TEA COMPANY, LOT 14, DAWSON STREET, COLOMBO 00202, SRI LANKA.</p> <p>(CLAIMANT)</p>	<p>AGAINST:</p> <p>ALMOND TEA COMPANY, SUITE 18-1, KATONG TOWER, 87 CEYLON ROAD, SINGAPORE</p> <p>(RESPONDENT)</p>
---	--

MEMORANDUM ON BEHALF OF RESPONDENT

TABLE OF CONTENTS

LIST OF ABBREVIATIONS	iii
INDEX OF AUTHORITIES	v
STATEMENT OF FACTS.....	x
STATEMENT OF JURISDICTION.....	xii
ISSUES FOR CONSIDERATION	xiii
SUMMARY OF ARGUMENTS.....	xiv
ARGUMENTS ADVANCED	1
I. SRILANKAN LAW IS THE APPLICABLE LAW TO THE DISPUTE IN THE PRESENT CASE	1
A. The Srilankan law is the applicable law under KLCRA-I rules	1
B. Srilankan law is the applicable law under law of arbitral seat	5
II. DISTRIBUTION OF SAILOR’S CEYLON AFFIXED WITH THE ATC’S MARK IN MALAYSIA DOES NOT AMOUNT TO BREACH OF THE AGREEMENT BY ATC. ...	7
A. Non-Renewal Of The Agreement After The Expiry Of The Term Of The Agreement Shall Discharge The Respondent From Further Obligations	8
B. The Clauses Which Are Alleged To Be In Breach By The Claimant Is Void Under The Law of Contract	10

III. THE USAGE OF THE PHRASES “SYMBOL OF QUALITY” AND “CEYLON” DOES NOT LEAD TO PASSING OFF..... 17

A. CTC’s Ceylon Tea has no goodwill..... 17

B. There is no mis-representation 18

C. There is no damage to CTC..... 20

D. Additionally, ATC has used the word fairly and in good faith as the seeds of the tea actually originates from Sri Lanka..... 20

IV. THERE IS NO INFRINGEMENT OF THE “LION LOGO” BY THE USAGE OF ATC MARK..... 22

A. The respondent’s mark is not similar to the claimant’s mark. 22

B. ATC’s mark is not misleading..... 24

LIST OF ABBREVIATIONS

ATC	Almond Tea Company
CTMR	Community Trade Mark Registration
CLAIMANT	Ranatunga
CTC	Chelsea Tea Company
ICC	International Chamber of Commerce
IPR	Intellectual Property Rights
KLRCA	Kuala Lumpur Regional Centre for Arbitration
RESPONDENT	Philip Chan
RM	Ringgit Malaysia
SLTB	Sri Lankan Tea Board
TM	Trade Mark
TRIPS	Trade Related aspects of Intellectual Property rights

UN	United Nations
WIPO	World Intellectual Property Organization

INDEX OF AUTHORITIES

CASES

<i>A Schroeder Music Publishing Co Ltd v Macaulay</i> [1974] 1 WLR 1308.	15
<i>Alec Lobb Ltd v Total Oil Ltd</i> [1985] 1 W.L.R. 173, 182.....	11
<i>Anheuser- Busch Inc v. Budejovicky Budvar</i> , [1984] 81 L.S.G. 1369.....	17
<i>Aristoc Ltd v Rysta Ltd</i> (1943) 60 R.P.C. 87 CA.....	22
<i>Barnsley Brewery Co Ltd v. RBNB</i> [1997] F.S.R. 462 Ch D.....	18
<i>Barton v. Armstrong</i> [1976] A.C. 104.	10
<i>Boissevain v Weil</i> , [1950] 1. All ER 728; [1950] AC 327.....	2
<i>Bristol- Myers v. Bristol Pharmaceuticals</i> [1968] R.P.C.259.....	19
<i>Bulmer v. Bollinger</i> [1978] RPC 79.....	20
<i>Chatenay v The Brazilian Submarine Telegraph Company Limited</i> , (1890) 1 QB 79 (CA)....	3
<i>Compagnie d' Armement Martitime SA v Compagnie Tunisienne de Navigation S</i> , (1971) A.C 572 at 603, per.....	1
<i>Consitex SA v. TCL Marketing Sdn Bhd</i> , [2008] 3 MLJ 54.	18
<i>Dental manufacturing co ltd v. C de Trey & Co</i> , [1912] 3 K.B. 76 CA.....	20
<i>Distilleries Company of Sri Lanka v. Randenigala Distilleries Lanka (Private) Limited, SC</i> (CHC) Appeal No. 38 of 2010, Decided on December19, 2014.	23

<i>Dubai Islamic Bank PJSC v. Paymentech Merchant Services Inc.</i> , [2001] 1 All ER (Comm) 514	6
<i>Earl of Aylesford v Moriss</i> (1751) 2 Ves Sen 125,157	12
<i>Eastman Photographic Materials Company, Limited v The Controller-General of Patents, Design and Trademarks</i> (1898) AC 571.	18
<i>Equity Access v. Westpac</i> , (1989) 16. I.P.R. 431.....	19
<i>Goldsoll v Goldman</i> [1915] 1 Ch 292, 84 LJ Ch 228.....	15
<i>Haigh v. Brooks, Io Ad. & E.</i> 309, 323.	10
<i>Harmon v. Lumbermens Mut. Ins. Co.</i> , 164 So. 2d 397 (La. App. 2d, Cir. 1964).	3
<i>Hart v O'Connor</i> , [1985] A.C. 1000.	12
<i>Herbert Morris Ltd v Saxelby</i> [1916] 1 AC, pp 404-5, 410-11.....	15
<i>Hertz Corp. v Friend</i> , 559 U.S. 77 (2010).....	4
<i>Hyundai Merchant Marine Co Ltd v Gesuri Chartering Co Ltd</i> [1991] 1 Lloyd's rep. 100, 103.	9
<i>Inntrepreneur Pub Co v East Crown Ltd</i> [2000] 2 Lloyd's Rep. 611 at [10].	9
<i>Irvani v Irvani</i> [2000] 1 Lloyd's Rep. 412, 424.	11
<i>James Fernando v. Officer In charge SCIB Negombo</i> , [1994] 3 SLR 35 (SC) at P. 40.....	23
<i>Keiner v Keiner</i> (1952) 1 ALL E.R. 643.....	4
<i>Langdale v Danby</i> , The Times, November 24, 1981.....	13
<i>Mason v Provident Clothing & Supply Co</i> [1913] AC 724	14
<i>McDonalds Corporation v, Joburger Drive-Inn Restaurant (Pty) Limited</i> 1997 (1) SA 1 Para 38.....	25
<i>Midtronics B v Cass Ciuvera</i> , (2002) RCDIP 86.....	3
<i>Nordenfelt v Maxim Nordenfelt Guns and Ammunition Co Ltd.</i> [1894] AC 535.....	14
<i>Occidental Worldwide Investment Corp v Skibs A/S Avanti</i> , pg 336.....	10

<i>Poiser Ltd. v Fenez (Marcel)</i> , [1965] R.P.C. 187.....	20
<i>Polo/Lauren Co. LP v Shop-In Department Stores Pte Ltd</i> [2006] 2 SLR 690	23
<i>Print Concept Gmbh v GEW (EC) Ltd</i> , 2001 EWCA Civ 352.....	3
<i>Re United Railways of Havana and Regla Warehouses Ltd</i> (1961) AC 1007, (1960) 2 All ER 332	4
<i>Re United Railways of Havana and Regla Warehouses Ltd</i> (1961) AC 1007, (1960) 2 All ER 332.	2
<i>Reckitt & Colman v. Borden</i> [1990] 1 All E.R. 873	17
<i>SA Maritime et Commerciale of Geneva v. Anglo-Iranian Oil Co. Ltd</i> , [1953] 1 W.L.R. 496. 8	
<i>Scandecor Development AB v. Scandecor Marketing AB</i> [2002] F.S.R. 7.....	17
<i>St. John Ambulans Malaysia v. PJ Uniform Sdn Bhd</i> , [2014] 1 LNS 1534, High Court.	22
<i>State Joint Stock Company v. State Agency</i> , Yearbook Commercial Arbitration XL, 2015, ICC NO: 15667, 2015.....	3
<i>Tan Wing Chuen v Bank of Credit and Commerce Hong Kong Ltd</i> , [1996] 2 BCLC 69, 77..	14
<i>Thiagarajah v. Majeed</i> (1935) 4 CLW 41.....	23
<i>Timothy Lawlor v Sandvik Mining and Construction Mobile Crushers and Screens Limited</i> [2012] EWHC 1188 (QB).....	4
<i>Viacom International Inc v. Maharaja Organization and Others</i> [2006] 1 SCL 140 (SC)....	23
<i>W&G, Du Cros (W&G) Ltd's Application</i> [1913] A.C. 624.....	19
<i>Warnink v Townsend</i> [1980] R.P.C. 3.....	17
<u>STATUTES</u>	
§ 101 Intellectual Property Act, 2003.	34, 35
§121 (4) Intellectual Property Act, 2003.....	35
§24(2), The Srilankan Arbitration Act, 1995.	19

COUNCIL REGULATION (EC) No 207/2009 of 26 February 2009 on the Community Trade Mark.....	31
GI Regulation 510/2006, Art. 2(3).....	33
Rule 6(1) of KLCRA-i rules of 2013(revised)	18
The Unfair Contract terms Act 1977.....	26

TREATISES

Alan Redfern and Martin Hunter, <i>Law and Practice of International Commercial Arbitration</i> , Ed. 4 th , P. 93.....	14
D M Karunaratna, <i>Elements of the Law of Intellectual Property Law in Sri Lanka</i> (1st, Sarasavi Publishers, Nugegoda, 2010), P. 249	35
Dicey and Morris on “ <i>The conflict of laws</i> ”,(London; Stevens & Sons Limited),1967, Ed 8 th , P. 693.	15
H.G.Beale, <i>Chitty on Contracts</i> , Vol 1, (England: Sweet & Maxwell Publishers, 13 th ed., 2008), at P. 271.	20
McCarthy, <i>Trademarks and Unfair Competition</i> , §11.17, (1973), P. 379	33
Rajoo, Sundra/Davidson, W. S. W., Dato, <i>The Arbitration Act 2005: UNCITRAL Model Law as Applied in Malaysia</i> , (Malaysia: Sweet & Maxwell 2007), P. 136.	18

JOURNALS

B. Wortmann, Choice of law by arbitrators: <i>The applicable conflict of laws System</i> , (1998) 14(2) <i>Arbitration International</i> 97 at Pg 101.....	15
Dr. Ali Khaled Qtaishat, <i>Choice of Law in International Commercial Arbitration</i> , <i>India Law Journal</i> , P.265.....	15
Greenberg, Simon /Kee, Christopher /Weeramantry, J. Romesh, <i>International Commercial Arbitration: An Asia-Pacific Perspective</i> , (Cambridge University Press 2011), P. 103.	15

Sri Lanka - Conflict of Laws & Private International Law, in: Foreign Law Guide, Edited by:
 Marci Hoffman. Consulted online on 03 July 2016 http://dx.doi.org/10.1163/2213-2996_flg_COM_174033..... 19

WEBSITES

<https://www.casrilanka.com/casl/images/stories/EDBA/law%20of%20contracts%20-%202.pdf>, last visited on 12th July 2016..... 21

Sri Lanka Flag and Description, available at <http://www.worldatlas.com/webimage/flags/countrys/asia/srilanka.htm>, last visited on 6th July, 2016..... 36

STATEMENT OF FACTS

I. THE PARTIES TO THE ARBITRAL PROCEEDINGS

1. The Claimant, in the present case is CTC, whose office is incorporated in Colombo, Srilanka, established in 1965 with Marvan Ranatunga as its Chairman.
2. The Respondent, in the present case is ATC, whose office is situated in Singapore with Phillip Chan as its Managing Director.

II. BREACH OF CONTRACT AND INTELLECTUAL PROPERTY

3. Ranatunga is the chairman of CTC whose vision is to make “CTC Ceylon” a globally renowned and dominating tea brand.
4. “CTC Ceylon” affixed “Lion Logo” on the packing or labels of tea grown and manufactured in Sri Lanka; the said mark was registered in Malaysia and many other jurisdictions worldwide with two conditions: no exclusive rights over the words “CEYLON TEA” and “SYMBOL OF TEA”.
5. In 2008, Ranatunga met Phillip Chan in Malaysia, thoroughly inspired by Chan’s expertise in the tea industry of Malaysia, Ranatunga wanted to appoint Chan as its exclusive distributor of “CTC Ceylon” in Malaysia to which Phillip Chan did not agree as CTC wanted ATC to cease all the products from the market. When all the

- persuasions by CTC failed, Chan challenged Ranatunga for a game of golf in which Ranatunga lost. CTC had accepted the rejection of the offer then. After a month
6. But after a month the tea plantations from which ATC sourced its leaves were destroyed by an unexpected fungal disease, Ranatunga sensed this as the perfect opportunity to re-convince Chan to accept the offer.
 7. After prolonged negotiations between ATC and CTC, they entered into an exclusive Distribution Agreement on 20th October 2008 in Malaysia upon a consideration in Ringgit Malaysia. The Distribution Agreement contains a clause:
“During the Term and for a period of 12 months after it the Distributor must not be concerned or interested, either directly or indirectly, in the manufacture or distribution in the Territory of any goods that compete with the Products, affixed with the Trade Marks or any other arguably similar mark in the Territory”.
 8. Thereafter with the help of Chan’s expertise CTC developed a strong consumer base in Malaysia with blooming profits year after year. Yet upon the expiry of the Distribution Agreement on 20th October 2013, the Agreement was not renewed.
 9. In 2015, it came to CTC’s notice that ATC has been growing and manufacturing tea in China and distributing said tea products in Malaysia in the name of “SAILOR’S CEYLON” and a mark that also contained a lion insignia and “Symbol of Quality” on it.
 10. The seeds for producing “Sailor’s Ceylon” were sourced from Sri Lanka.
 11. CTC had wrote to ATC with regard to the damages that ATC is required to pay CTC for the breach caused and also demanded that ATC should stop using “ATC’s Mark” and not use the word ‘Ceylon’. ATC denied all the above assertions made by CTC.

III. THE ARBITRATION

12. The arbitration is to be settled according to the KLRCA i-Arbitration Rules and the place of Arbitration is decided to take place in Colombo, Sri Lanka.

STATEMENT OF JURISDICTION

1. So as to ensure an expeditious resolution of the dispute, the Parties have agreed in writing to submit this dispute to arbitration.
2. The Parties have also agreed to resolve their dispute in accordance with the binding Arbitration Agreement pursuant to Rule 1(1) Kuala Lumpur Regional Centre for Arbitration (“**KLRCA**”) and the place of arbitration as Sri Lanka.
3. The Parties do not dispute the validity and enforceability of the Arbitration Agreement, and any award rendered by the tribunal is acknowledged to be final and binding upon the parties as per Rule 12(7) of KLRCA i-Arbitration Rules.

ISSUES FOR CONSIDERATION

I. WHAT IS THE APPLICABLE LAW THAT SHOULD BE REFERRED TO IN THIS DISPUTE;

II. WHETHER OR NOT ATC HAS BREACHED THE AGREEMENT BY DISTRIBUTING “SAILOR’S CEYLON” AFFIXED WITH THE “ATC’S MARK” IN MALAYSIA;

III. WHETHER OR NOT ATC’S USE OF THE WORD ‘CEYLON’ IN RESPECT OF ITS TEA PRODUCTS IS MISLEADING; AND

IV. WHETHER OR NOT ATC’S USE OF THE “ATC’S MARK” AMOUNTS TO TRADEMARK INFRINGEMENT AND/OR PASSING OFF.

SUMMARY OF ARGUMENTS

I

When the Agreement is silent about the applicable law, the institutional rules of the arbitration or the law of arbitral seat is used determine the applicable law. In the present case the parties have agreed that KLRCA- i rules as the institutional rules governing the arbitration. According to the KLRCA-i rules the tribunal is given the authority to determine the most appropriate law to the dispute. The most accepted approach is the close connection test and the factors that are to be considered are the place of performance of the contract, the principle place of business and the habitual residence of the parties, taking into consideration of all the above factors and the law of the arbitral seat we can come to the conclusion that Srilankan law is the most appropriate law applicable to the dispute.

II

The terms that CTC alleges that ATC has breached are those terms which are void in the eyes of Law. Moreover the term of the Agreement expired on 20th October 2013 and it was not renewed thereafter. Hence ATC is released from any further contractual obligations.

III

The Respondent has not passed off the mark, because Claimant does not have a goodwill in Malaysia, there is no misrepresentation because the phrase “Symbol of Quality” is a common English language phrase that is used to describe the quality of products and that is available in the public domain to be used by anyone. Also, the word ‘Ceylon’ is descriptive because it

denotes the name of a place from where the product originates and in this case the product originates from Sri Lanka and hence the Claimant has no exclusive right to use this descriptive word 'Ceylon'.

IV

The Claimant's mark is not well-known and hence there is no possibility of free-riding on their mark. Also, the marks of both ATC and CTC are entirely different in their appearance, For example: - both have different types of lions, one is vertical rectangle and the other is horizontal rectangle, etc and other such differences. Hence, there is no possibility of infringement.

ARGUMENTS ADVANCED

I. SRILANKAN LAW IS THE APPLICABLE LAW TO THE DISPUTE IN THE PRESENT CASE

1. An agreement intended to create legal relations does not exist in a legal vacuum. It is supported by a system of law which is generally known as “the substantive law”, “the applicable law” or “the governing law” of the contract¹. These terms denote that the particular system of law that governs the interpretation and validity of the contract, the rights and obligations of the parties, the mode of performance of the contract and consequences of the breach of the contract². When the agreement is silent on the law applicable to the substance of the dispute, the Tribunal may determine the applicable substantive law by applying the choice-of-law formula contained either in the institutional rules or in the law of the arbitral seat.³ The Parties in the present case have not specified the applicable substantive law to the dispute, but have chosen the KLRCA i-Arbitration Rules (“KLRCA Rules”) as the institutional rules governing arbitration but the seat of arbitration is not specified.⁴ Sri Lankan law is the applicable law under A) KLRCA Rules law and B) The law of arbitral seat.

A. THE SRILANKAN LAW IS THE APPLICABLE LAW UNDER KLRCA-I RULES

2. Art. 35(1) KLRCA Rules states that, in the absence of a choice of law as applicable to the substance of the dispute, the Tribunal should apply “the law which it determines to be appropriate”. This does not warrant a direct application of any substantive law at

¹ Alan Redfern and Martin Hunter, *Law and Practice of International Commercial Arbitration*, Ed. 4th, P. 93.

² *Compagnie d' Armement Maritime SA v. Compagnie Tunisienne de Navigation S*, (1971) A.C 572 at 603, per Lord Diplock.

³ Born, page 2636-2637.

⁴ ¶22 Distribution Agreement.

whim, but rather should involve a form of analysis logically based on general conflict of laws considerations.⁵ The arbitrators, defacto should use the conflict of law principles while determining the appropriate law, where the tribunal is given the authority to determine the appropriate law.⁶ One of the most widely recognised conflicts of laws principles is to apply the substantive law of the State with which the dispute has the closest connection.⁷ By virtue of the application closest connection test, the Srilankan law is the most appropriate law applicable to the dispute.

i. The Srilankan law is the most appropriate law under close connection test

3. The most satisfactory formulation which is generally used by the courts is that of the proper law⁸ i.e., the system of law with which the transaction has is closest connection or real connection is to be considered⁹, while determining the law that is more appropriate to the dispute. The factors that the courts have considered to be relevant in determining the applicable substantive the place of performance of the contract, place of the habitual residence of either of the parties and the Principle place of business of the parties.¹⁰

a) The place of performance of the contract is Colombo, Srilanka

4. In absence of contractual choice of law, the doctrine of Lex loci solution is to be considered while determining the system of law with which the contract has closest connection¹¹. In many cases, the place where performance is to take place has more

⁵ Born, page 2644-2646; Greenberg, Simon /Kee, Christopher /Weeramantry, J. Romesh, International Commercial Arbitration: *An Asia-Pacific Perspective*, (Cambridge University Press 2011), P. 103.

⁶ B. Wortmann, Choice of law by arbitrators: *The applicable conflict of laws System*, (1998) 14(2) Arbitration International 97 at Pg 101.

⁷Born, page 2631: numerous countries endorse this approach as their statutory formula; Greenberg/Kee/Weeramantry: this approach is also adopted by international conventions (e.g. Rome Convention).

⁸ Dicey and Morris on “*The conflict of laws*”, (London: Stevens & Sons Limited), 1967, Ed 8th, P. 693.

⁹*Boissevain v. Weil*, [1950] 1. All ER 728; [1950] AC 327.

¹⁰Dr. Ali Khaled Qtaishat, *Choice of Law in International Commercial Arbitration*, India Law Journal, P.265.

¹¹ *Re United Railways of Havana and Regla Warehouses Ltd* (1961) AC 1007, (1960) 2 All ER 332.

relevance than the place than where the place where the relationship has been established or the place where the contract has been signed in other words¹².

5. In the cases of exclusive distributorship agreement for the distribution of goods, the characteristic obligation is that of the manufacturer to sell and distribute goods to the distributor (rather than distributor obligation to promote the manufacturer's goods), it is the seller who becomes the characteristic performer. Hence, his performance is of prime importance¹³.
6. In the cases of business, one can come to the conclusion that the law of the country in which the contract is to be performed is the law binding the contract. Else a very strange situation would arise, where the contract is to be performed in a country contrary to the laws of that country. Hence, *lex loci* solution becomes a predominant factor in determining the law applicable to the contract¹⁴. The most recent case law decided by ICC tribunal on the applicable law to the contracts held that where the contract is to be performed or the place of performance of the obligations is the prima facie factors to be considered in determining the applicable law¹⁵. In the present case exclusive Distribution Agreement was entered between Ranatunga (Supplier) i.e., Chelsea Tea Company and Phillip Chan (Distributor) i.e., Almond Tea Company to distribute "CTC Ceylon"¹⁶ to promote and distribute the said "CTC Ceylon" in Malaysia¹⁷, but the place where the goods were manufactured and sold to the distributor is Colombo, Sri Lanka¹⁸ thus making Sri Lankan law as *lex loci* solutions.

¹² *Harmon v. Lumbermens Mut. Ins. Co.*, 164 So. 2d 397 (La. App. 2d, Cir. 1964).

¹³ *Print Concept GmbH v. GEW (EC) Ltd*, 2001 EWCA Civ 352, *Midtronics B v Cass Ciuvete*, (2002) RCDIP 86.

¹⁴ *Chatenay v. The Brazilian Submarine Telegraph Company Limited*, (1890) 1 QB 79 (CA).

¹⁵ *State Joint Stock Company v. State Agency*, Yearbook Commercial Arbitration XL, 2015, ICC NO: 15667, 2015.

¹⁶ Recitals at B, Distributive Agreement.

¹⁷ *Ibid.*

¹⁸ ¶ 2, Proposition.

b) The principle place of business is Colombo, Srilanka

7. The principle place of business is the place where the corporation maintains its headquarters--provided that the headquarters is the actual centre of direction, control and coordination, i.e., the 'nerve centre', but it is not just headquarters in a particular place makes it principle place of business, the principle place of business is where the directions, controlling takes place¹⁹. In the case of *Timothy Lawlor v. Sandvik Mining and Construction Mobile Crushers and Screens Limited*²⁰, the court determining the applicable law to the contract accepted that the law applicable to the contract is that of the Spain and that Spanish law should be used to determine the dispute as the place of principle business was situated in Spain. In the present case, CTC Company (where the goods are manufactured and sold to the distributor) is situated in Colombo, Srilanka²¹ where the Ranaunga is the Chairman of the board of Directors²². Hence, the principle place of business is Colombo, Srilanka.

c) Habitual residence of the parties

8. One of the many factors that needs to be taken into consideration while deciding on the applicable law is place of residence of the parties²³. The place of residence of the parties indicates the intention of the parties and is one of the most important connecting factors of the contract²⁴. In the present case one of the parties i.e., the supplier is from Srilanka, with his place of residence, office situated in Colombo, Srilanka²⁵.

¹⁹*Hertz Corp. v Friend*, 559 U.S. 77 (2010).

²⁰[2012] EWHC 1188 (QB).

²¹Supra Note 17.

²²Ibid.

²³*Re United Railways of Havana and Regla Warehouses Ltd* (1961) AC 1007, (1960) 2 All ER 332.

²⁴*Keiner v Keiner* (1952) 1 ALL E.R. 643.

²⁵Supra Note: 21.

B. SRILANKAN LAW IS THE APPLICABLE LAW UNDER LAW OF ARBITRAL SEAT

9. The law of the arbitral seat (*lex arbitri*) also leads to the conclusion that Srilankan law is the applicable substantive law. The determination of which substantive law to apply is a procedural issue covered by the *lex arbitri*, and requires the consideration of the seat's arbitration legislation.²⁶ The Parties in the present case only agreed that the arbitration would take place in Kuala Lumpur, but not on a seat of arbitration.²⁷ The seat of arbitration is Kuala Lumpur, Malaysia by default under KLRCA Rules and Srilankan law is the appropriate law under the Malaysian Arbitration Act [1]. Alternatively, a seat in Colombo, Srilanka is more appropriate and thus the Srilankan law applies under the Srilankan Arbitration Act [2]

i. Malaysia is the seat of arbitration by default

10. Rule 6(1) of KLRCA Rules says that in the absence of any agreement upon a specific arbitral seat, Kuala Lumpur, Malaysia is the arbitral seat by default²⁸. Since the Parties have not expressly agreed on the seat of arbitration²⁹, Kuala Lumpur Malaysia is arbitral seat by default. Accordingly, the Malaysian Arbitration Act is the law of the arbitral seat.

11. Under s. 30(4) Malaysia Arbitration Act, the Tribunal should apply “the law determined by the conflict of laws rules” failing any agreement of the law applicable to the substance of the dispute. Interpretation of s. 30(4) Malaysia Arbitration Act is that the Tribunal should apply the substantive law of the jurisdiction with the closest

²⁶ Born page 1531, 1580, 2636.

²⁷ ¶17 Distribution Agreement.

²⁸ Rule 6(1) of KLRCA-i rules of 2013(revised).

²⁹ Supra Note: 26.

connection to the dispute.³⁰ As proved in the above arguments by application of close connection test to the dispute, the applicable law is the Srilankan law.

ii. *Alternatively, a seat in Colombo is more appropriate and thus Srilankan law applies under the Arbitrational Act of Srilanka*

12. Alternatively, Colombo, Srilanka shall be the arbitral seat for this dispute. Under Rule 6(1) KLRCA Rules, the Tribunal may select another arbitral seat if it finds another seat to be more appropriate. In determining whether there is a more appropriate seat than the default seat of Kuala Lumpur, Malaysia, the Tribunal should have “regard to all the circumstances of the case”.³¹ That is to consider if there are any connections of particular jurisdictions with the parties and the parties’ dispute³². The convenience of the parties should be considered while determining the most appropriate seat³³. In the present case one party to the dispute is from Srilanka³⁴ and neither of the parties to the dispute is from Malaysia³⁵ and hence the most convenient and appropriate seat for arbitration is Colombo, Srilanka and accordingly The Srilankan Arbitration Act, 1995 is applicable to the dispute.

13. Section 24(2) of the Srilankan Arbitration Act, 1995 provides that in case of parties failing to choose the applicable law, the arbitral tribunal shall apply the law determined by the conflict of law rules which, it considers applicable³⁶. The English approach of conflict of rules is followed in Srilanka in order to determine applicable law to the contract³⁷. According to English approach of the conflict of rules, close

³⁰Rajoo, Sundra/Davidson, W. S. W., Dato, *The Arbitration Act 2005: UNCITRAL Model Law as Applied in Malaysia*, (Malaysia: Sweet & Maxwell 2007), P. 136.

³¹Supra Note: 7.

³²Born, page 2097; *Dubai Islamic Bank PJSC v. Paymentech Merchant Services Inc.*, [2001] 1 All ER (Comm) 514

³³ *Ibid*, ¶52.

³⁴ ¶2 Proposition.

³⁵ ¶1 Distribution Agreement.

³⁶ §24(2), The Srilankan Arbitration Act, 1995.

³⁷ *Sri Lanka - Conflict of Laws & Private International Law*, in: Foreign Law Guide, Edited by: Marci Hoffman. Consulted online on 03 July 2016 http://dx.doi.org/10.1163/2213-2996_flg_COM_174033.

connection test is the most appropriate test applicable to the dispute³⁸. As proved above by close connection test the applicable law to the dispute is The Srilankan law.

Conclusion: *Hence, the applicable law to the disputes in the present case is the Sri Lankan law under the KLRCA-i rules and the law of arbitral seat.*

II. DISTRIBUTION OF “SAILOR’S CEYLON” AFFIXED WITH THE “ATC’S MARK” IN MALAYSIA DOES NOT AMOUNT TO BREACH OF THE AGREEMENT BY ATC.

14. Recognition of the principle of the binding force of contracts does not mean that the contracts, or particular terms of the contract, will always be enforced. This is the clearest in cases of void agreements. An agreement not enforceable by law is said to be a void agreement.³⁹ Additionally, failing to prove that the parties had agreed to the essential terms of a Distribution Agreement may doom a plaintiff’s claim for reasonable notice of termination.

15. The contention of CTC arose in March 2015, wherein the agreement had already terminated or expired and was not further renewed. The agreement is also void as it contains factors that defeat the contractual liability of the Respondent. All the rights to produce and distribute ATC’s own products with their brand name and trade mark resumes. Therefore there is no breach of agreement due to **A]** the non-renewal of the

³⁸Supra Note: 30.

³⁹ H.G.Beale, *Chitty on Contracts*, Vol 1, (England: Sweet & Maxwell Publishers, 13th ed., 2008), at P. 271.

agreement, the Respondent is discharged from any further contractual obligations. B] the terms of the agreement that the Claimant alleges that the Respondent has breached are void under the Sri Lankan Contract Law due to factors discussed below.

A. NON-RENEWAL OF THE AGREEMENT AFTER THE EXPIRY OF THE TERM OF THE AGREEMENT SHALL DISCHARGE THE RESPONDENT FROM FURTHER OBLIGATIONS

16. Once the term of the contract is over, it releases the party from further contractual obligations. The term ‘discharge’ means the process whereby a valid and enforceable contract is brought to an end, thereby releasing the parties to it from all further rights and obligations.⁴⁰

17. ATC did not breach any clause in the Agreement with regard to the distribution of their products affixed with “ATC’s Mark”. Under definitions of the Distribution Agreement the word term has been defined as the period of 5 years that commences on the date of the Agreement which is 20th October 2008, unless terminated earlier. Towards 20th October 2013, the term gets completed. Clause 4.2 pertains to the period during the subsistence of the term and a period of 12 months after it. Once this period is over, there is no restriction upon the Distributors to be concerned directly or indirectly in the manufacture or distribution in the territory of goods that compete with the products of the Claimant or use arguably similar trademark.

18. Alternatively, An Agreement ought to receive that construction which its language will admit, which will best effectuate the intention of the parties, to be collected from the whole of the Agreement, and greater regard is to be had to the clear intent of the

⁴⁰<https://www.casrilanka.com/casl/images/stories/EDBA/law%20of%20contracts%20-%20202.pdf>, last visited on 12th July 2016.

parties than to any particular words which they may have used in the expression of their intent.⁴¹

19. Under the Consequence of Termination⁴² and Confidentiality⁴³ the words, termination and expiry has been used as interchangeable. Since there is no express mention under termination through expiry, both can be construed to have the same meaning, leading to the same consequence.

20. The task of ascertaining the common intention of the parties must be approached objectively.⁴⁴ The cardinal presumption is that the parties have intended what they have in fact said, so that their words must be construed as they stand.⁴⁵

21. An agreement that continues without an unlimited period shall be detrimental to the interest of the Respondent. From the entire reading of the Agreement, the intention of the parties is well evident as the Agreement was intended to be terminated upon 5 years and renewed upon the will of the parties. The Agreement was not renewed upon its expiry on 20 October 2013. Moreover, they had also established the headquarters in Kaula Lumpur so as to promote and distribute “CTC Ceylon”. Hence this in itself showed that even the Claimant considered the Agreement to be terminated and the role of the distributors did not serve any purpose any more. This indicates that both the parties were not aspiring to continue the Agreement further. The cause of action arose only in March 2015 from which the rights of distribution of ATC had already begun. Hence ATC has all the rights to distribute their products using the “ATC’s Mark”.

⁴¹ *SA Maritime et Commerciale of Geneva v. Anglo-Iranian Oil Co. Ltd*, [1953] 1 W.L.R. 496.

⁴² ¶14, Distribution Agreement.

⁴³ ¶10, Distribution Agreement.

⁴⁴ *Inntrepreneur Pub Co v. East Crown Ltd* [2000] 2 Lloyd’s Rep. 611 at [10].

⁴⁵ *Hyundai Merchant Marine Co Ltd v. Gesuri Chartering Co Ltd* [1991] 1 Lloyd’s rep. 100, 103.

B. THE CLAUSES WHICH ARE ALLEGED TO BE In BREACH BY THE CLAIMANT IS VOID UNDER THE LAW OF CONTRACT

22. Firstly, it is well evident from the factual scenario that there was economic coercion on the Respondent at the time of entering into the Agreement **(i)**. Secondly, the Respondent had come into an agreement on the basis of an unconscionable bargain **(ii)**. Thirdly, the Agreement contains unfair terms **(iii)** and finally, there exists certain terms in the Agreement which are in restraint of trade **(iv)**.

i. There was economic coercion upon the Respondent at the time of Agreement.

23. To set the contract aside on the ground of duress, it is enough that the duress was the reason for making the contract.⁴⁶ In certain circumstances, a contract can be set aside for economic duress, i.e the threat of such serious financial consequences as to give the threatened party no practical choice but to enter into the contract.⁴⁷

24. The previous negotiations with regard to this Agreement had failed and when Ranatunga was defeated in a game of golf by Chan, Ranatunga lost the game, the offer was already rejected then.⁴⁸ One month later when unexpectedly the tea plantations from which ATC sourced its leaves were devastated by a fungal disease, Ranatunga chose this as the right opportunity and made the offer again.⁴⁹ The economic situation in which ATC was placed in, forced Chan to accept the previously rejected offer. This very well portrays the economic crisis in which ATC was in. Therefore the situation gave no other practical choice to the Respondent than to accept the offer.

25. Alternatively, the parties had made the Agreement upon a nominal consideration. This in itself is yet another indicator to show that there was economic coercion. A

⁴⁶*Barton v. Armstrong* [1976] A.C. 104.

⁴⁷*Occidental Worldwide Investment Corp v. Skibs A/S Avanti*, pg 336.

⁴⁸ ¶ 9, Proposition.

⁴⁹ ¶ 10, Proposition.

consideration that is relatively of insignificant value as compared with the promise may nevertheless have been the real inducement to the making of that promise.⁵⁰

26. CTC knowing very well about the current financial condition of ATC, used the opportunity to bring ATC into an agreement upon a nominal monetary consideration.⁵¹ Hence the clause to undertake the exclusive Distribution Agreement is voidable as there is economic duress involved.

ii. The Respondent had come into an agreement on the basis of an unconscionable bargain.

27. For an unconscionable bargain to exist, one party should have been at a serious disadvantage to the other so that, circumstances existed of which unfair advantage could be taken.⁵² The doctrine of unconscionable bargains is conditional upon three main factors; **(a)** It must be oppressive to the complainant in overall terms, **(b)** It only applies to the one suffering from certain type of bargaining weakness; and **(c)** that the other party must have acted unconscionably in the sense of having knowingly taken advantage of the complaint.⁵³ The above elements are satisfied as follows:

28. The present situation satisfies all the above factors. **(a) Oppression here is firstly through Financial Overburden and Unreasonable restrictions-** It is patently evident from the reading of the Distribution Agreement. The distributor upon entering into this contract had to cease his products from the market completely. Thereafter several unreasonable restrictions were placed over the rights of the Respondent to manufacture and distribute the products. The Respondent was overburdened with financial as well as other contractual obligations. The costs involved in fulfilling the terms and conditions of the contract for ATC were higher than the amount of

⁵⁰ *Haigh v. Brooks, Io Ad. & E.* 309, 323.

⁵¹ ¶11, Proposition.

⁵² *Alec Lobb Ltd v. Total Oil Ltd* [1985] 1 W.L.R. 173, 182.

⁵³ *Irvani v. Irvani* [2000] 1 Lloyd's Rep. 412, 424.

economic benefit received. The Respondent had to compensate the Suppliers when the target fell.⁵⁴ Under Payment for the Products⁵⁵, the entire financial burden is on the Distributors. The Distributor had the responsibility of incurring the price of even transportation, insurance and also an additional deposit of 20% of the relevant list price.⁵⁶ If the Distributor did not adhere to the same the penalties were consequential. There was imposition of unreasonable liabilities on the Distributors in a prejudicial manner. The Agreement was therefore oppressive on the Distributor.

29. **(b) Exploitation of the weak bargaining state of the Respondent:** At the time of negotiation i.e., before entering into the Agreement, the status of the Respondent was clearly in a crisis. The Claimant was in a position to dominate the will of the Respondent. Such a weak bargaining situation of the Respondent was deliberately chose by the Claimant to make the deal. The Respondent could not be convinced when the Respondent was in a better bargaining position. It was when their business was affected by an unfortunate and highly unpredicted fungal disease that Chan had to concede to the wishes of Ranatunga.

30. Contractual imbalance maybe so extreme as to raise a presumption of procedural unfairness, such as undue influence or some other form of victimisation.⁵⁷ In the case of *Earl of Aylesford v. Moriss*⁵⁸ it was held that the facts and circumstances were taken into account and the relative position of the parties is such as prima facie to raise this presumption, the transaction cannot stand unless the person claiming the benefit of it is able to repel the presumption by contrary evidence, proving it to have been in point of fact, fair, just and reasonable.

⁵⁴ ¶3, Distribution Agreement.

⁵⁵ ¶6, Distribution Agreement.

⁵⁶ ¶ 6.1 & 6.4, Distribution Agreement.

⁵⁷ *Hart v. O'Connor*, [1985] A.C. 1000.

⁵⁸ (1751) 2 Ves Sen 125,157.

31. (c) **An Unconscionable Act:** CTC craftily chose the situation wherein ATC was in great loss and economically unstable position, which forced Chan to accede to the Agreement even though he was knowing that he was taken advantage of.

32. Alternatively, there is also inequality in bargaining power. By virtue of it, the English Law gives relief to one who, without independent advice, enters into a contract upon terms which are very unfair, when his bargaining power is grievously impaired by reason of his own needs or desires, coupled with undue influences or pressure brought to bear on him by or for the benefit of the other.”⁵⁹

iii. *The Agreement contains unfair term*

33. The Unfair Contract terms Act, 1977 was adopted into Sri Lankan Law as Unfair Contract Terms Act No. 26 of 1997. Under this, the most common type of unfair terms are exclusion clauses whereby one party seeks to exclude their liability arising under the contract. As unfair contract terms can operate oppressively, the law restricts the use of such terms. So as to determine whether there is existence of unfair terms there is the ‘reasonableness’ test. Where the ‘reasonableness’ test is applied in relation to a contract term is whether the term is a fair and reasonable one to have been included ‘having regard to the circumstances which were, or ought reasonably to have been made, known to or in the contemplation of the parties when the contract was made.’⁶⁰ In the situation at hand it indicates that the circumstances under which ATC was brought into agreement was through economic duress.

34. Section 13 of the Unfair Terms Act⁶¹, prevents the varieties of exclusion or restriction of any liability it. (a) Making the liability or its enforcement subject to restrictive or onerous conditions; (b) Excluding or restricting any right or remedy in respect of the

⁵⁹ *Langdale v. Danby*, The Times, November 24, 1981.

⁶⁰ The Unfair Contract terms Act 1977.

⁶¹ *Ibid.*

liability, or subjecting a person to any prejudice in consequence of his pursuing any such right or remedy. The terms in the Distribution Agreement clearly satisfies the above condition and hence comes under the ambit of unfair terms.

35. Alternatively, the rule of *contra proferentem* is also applicable in the present situation.

The rule is based on the principle that a party putting forward the wording of a proposed agreement may be assumed to have looked after its own interests, is responsible for ambiguities in its own expression, and has no right to induce another to make a contract on the supposition that the words mean one thing, and then to argue for a construction by which they would mean another thing, more to its advantage.⁶²The words of written documents are construed more forcibly against the party putting forward the document.⁶³

36. The Claimant had compelled the Respondent to agree to the terms of the contract.

Majority of the clauses in the contract is construed more forcibly against the Respondent. The obligations are highly one sided. The only contractual obligation that the Suppliers have with regard to the Agreement is to supply goods to the distributor. Rest has been construed against the Respondent and more to the advantage of the Suppliers.

iv. ***There exists certain terms in the Agreement which are in restraint of trade***

37. A covenant that is in restraint of trade and which has not been shown to be reasonable

is void. In *Mason v. Provident Clothing & Supply Co*⁶⁴, the restraint was held to be

⁶² *Tan Wing Chuen v. Bank of Credit and Commerce Hong Kong Ltd*, [1996] 2 BCLC 69, 77.

⁶³ *Verba chartum forties accipiuntur contra proferentem*:Bac Max 3.

⁶⁴ [1913] AC 724.

unreasonable as it extended further than what was legitimately warranted. The covenants not to compete with the company ‘in any business competing or liable to compete in any with that for the time being carried on by the company’ was unreasonable, as it attempted to protect not only the business as it when sold, but any future activities of the company.⁶⁵ Covenants in gross, however, which do not protect the business actually sold, and whose object is merely to restrain competition, will not be upheld. In the case of *A Schroeder Music Publishing Co Ltd v. Macaulay*.⁶⁶, The House of Lords took into account the extent of the inequality of bargaining power between the parties and held that the exclusive agreement was in restraint of trade. The restriction must not be longer in point of time, or wider in area, or otherwise be more extensive in scope than is necessary to protect that interest.⁶⁷

38. Drawing analogy to the present situation, according to the allegations made by Claimant, they wanted Distributors to not indulge in any sort of business that was in competition with them even when the term of the contract had already ended as of March 2015⁶⁸, when the Agreement had already expired.⁶⁹ This is clearly an unreasonable restriction as it puts a bar on any similar kind of activities of the Distributors even in the future.

39. Moreover, a restraint can only be justified if it is reasonable **(a)** In the interests of the contracting parties **(b)** In the interest of the public. In the case of *Goldsoll v. Goldman*⁷⁰ there was a breach of the covenant and the question raised in this case was, whether the covenant he has broken can be treated as good and can be enforced. The Hon’ble court in this case held that the restraint was unnecessarily too so far to cover.

⁶⁵ *Nordenfelt v. Maxim Nordenfelt Guns and Ammunition Co Ltd*. [1894] AC 535.

⁶⁶ [1974] 1 WLR 1308.

⁶⁷ *Herbert Morris Ltd v. Saxelby* [1916] 1 AC, pp 404-5, 410-11.

⁶⁸ ¶14 & 15, Proposition.

⁶⁹ ¶15, Proposition.

⁷⁰ [1915] 1 Ch 292, 84 LJ Ch 228.

For the covenant must be limited to what is reasonably necessary for the protection of the coventee's business. Hence the covenant was held not be enforceable.

40. Chan did not wanted to accept the offer of Ranatunga initially as they had to cease all their products in Malaysia. Even tough persuasion by Ranatunga to change Chan's mind had failed. To concede to the Agreement Chan challenged Ranatunga to a game of golf knowing well enough that he could win over it effortlessly. Hence clause 4.2 of the Agreement that restricts the Distributors in indulging in any sort of competitive business was contrary to the interest of the Respondent as the Agreement completely restricted the Respondent from directly or indirectly competing with CTC within the entire Territory of Malaysia.⁷¹ The restraint was solely in the interest of the Claimant. The main intention of CTC can be gathered from the circumstances. They wanted to eliminate ATC completely from creating a competitive environment thereby gaining global dominance. Their sole motive was to utilize the market expertise of ATC.⁷² Effectively the restraint was on the skill of the Distributor and not on the position held which was again an unreasonable restriction. Hence there is no interest served of ATC and by eliminating competition from the market CTC is trying to create monopoly which is contrary to the interest of the public as well by limiting choice of the product.

CONCLUSION: *The terms that are alleged to be in breach by the Respondent is in itself void according to the Sri Lankan Contract Act. The above factors absolve the Respondent from*

⁷¹ ¶4.2, Distribution Agreement.

⁷² ¶13, Proposition.

any contractual liabilities. Moreover, since the Agreement itself does not have any validity in the eyes of Law, Clauses 9, 10, 11 and 12⁷³ cannot continue to remain in force. ATC has all the rights to use its trademark and trade name. Hence there is no breach as such.

III. THE USAGE OF THE PHRASES “SYMBOL OF QUALITY” AND ‘CEYLON’ DOES NOT LEAD TO PASSING OFF.

41. The unregistered marks do not have any legal protection in Sri Lanka. Claimant has brought an action under the common law remedy of passing off. Misrepresentation, damage and goodwill are the three elements of the tort of passing off. The most recent statement of the law of passing off is laid down in *Warnink v. Townsend*⁷⁴, in which Lord Diplock summed up five elements of a valid passing off action: (i) a 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 and (v) which causes actual damage to a business or goodwill of the trader by whom the action is brought or will probably do so. In *Reckitt & Colman v. Borden*.⁷⁵, Lord Oliver made the elements into three: goodwill, misrepresentation and damage. This is also referred to as *classical trinity*.

A. CTC’S “CEYLON TEA” HAS NO GOODWILL.

42. Goodwill is very important to be established. If it is shown that the Claimant has neither a business nor any goodwill in the jurisdiction then a passing off action

⁷³ ¶14.5, Distribution Agreement.

⁷⁴ [1980] R.P.C. 3.

⁷⁵ [1990] 1 All E.R. 873.

brought by him, cannot succeed.⁷⁶ It was enunciated in case of *Scandecor Development AB v. Scandecor Marketing AB*⁷⁷.

43. “It is the attractive force which brings in custom. The goodwill of a business must emanate from a particular center or source. However, widely extended or diffused its influence may be goodwill is worth nothing unless it has the power of attraction sufficient to bring customers home to the source from which it is emanates.”

44. Ranatunga established a consumer base tapping on Chan’s market expertise.⁷⁸ The fact that he was so eager to sell his tea through Chan shows that no one knows him and he wanted to exploit ATC’s goodwill and that he would not have been able to sell things if it was not for ATC. Ranatunga just had reputation of being a tea enthusiast.⁷⁹ Having reputation is different from having goodwill. Hence the customer base was established because of ATC and not CTC.

B. THERE IS NO MIS-REPRESENTATION

45. If there is no deception, mere confusion, or the likelihood of confusion is not sufficient to give a cause of action.⁸⁰ The burden of proof is on the plaintiff to prove that there exists the element of deception or confusion.⁸¹

46. In *Eastman Photographic Materials Company, Limited v. The Controller-General of Patents, Design and Trademarks*.⁸², it was held by Lord Herschell that: “*The vocabulary of the English language is a common property; it belongs alike to all; and no one ought to be permitted to prevent the other members of the community from*

⁷⁶ *Anheuser- Busch Inc v. Budejovicky Budvar*, [1984] 81 L.S.G. 1369.

⁷⁷ [2002] F.S.R. 7.

⁷⁸ ¶ 13, Proposition.

⁷⁹ ¶ 2, Proposition.

⁸⁰ *Barnsley Brewery Co Ltd v. RBNB* [1997] F.S.R. 462 Ch D.

⁸¹ *Consitex SA v. TCL Marketing Sdn Bhd*, [2008] 3 MLJ 54.

⁸² (1898) AC 571.

using for purposes of description to a word which has reference to the character or quality of goods.”

47. In the present case, there is nothing to show that there was any confusion or misrepresentation. Neither SLTB nor CTC is given any exclusive rights with regard to the usage of the word ‘Ceylon’ and the phrase “Symbol of Quality”, which shows that it is available for usage in public domain. ATC was an established brand in Malaysia, with a worldwide market and hence, ATC was entitled to use the phrase “Symbol of Quality”.

48. The use of the word ‘Ceylon’ on the products of ATC is not misleading as it is a descriptive term and hence CTC cannot have an exclusive right over it. According to Section 3(1) (c) and Article 7(1) (c)⁸³ of CTMR, the trademarks which consists exclusively of signs or indications which may serve, in trade, to designate the kind, quality, intended purpose, value, geographical origin, shall not be registered. The purpose of this ground is to prevent the registration of signs which are descriptive of the goods or services. These descriptive marks are excluded from registration because they consist signs or indications which honest traders either use or may wish to use without any improper motive.⁸⁴ Where the name that the Claimant uses is descriptive of its business (or is geographically descriptive)⁸⁵, the mere fact that the defendant adopts a name containing the same descriptive words will not establish any sort of case of passing off; a trader cannot monopolise a mere description.⁸⁶

49. This is the very reason why the word ‘Ceylon’ was not registered and SLTB was not given any exclusive right over the word ‘Ceylon’ in Malaysia.⁸⁷ Honest, legitimate

⁸³ COUNCIL REGULATION (EC) No 207/2009 of 26 February 2009 on the Community Trade Mark.

⁸⁴ *W&G, Du Cros (W&G) Ltd’s Application* [1913] A.C. 624.

⁸⁵ *Bristol- Myers v. Bristol Pharmaceuticals* [1968] R.P.C.259, see ¶ 15-109.

⁸⁶ *Equity Access v. Westpac*, (1989) 16. I.P.R. 431.

⁸⁷ ¶ 5, Proposition.

users like ATC can therefore have the right to use such words, so as to describe the geographical origin of their product. The word 'Ceylon' denotes that the product's geographical origin is from Sri Lanka and hence the quality and the characteristics that the consumers attribute to the word 'Ceylon' is attributed to the product.

C. THERE IS NO DAMAGE TO CTC.

50. It is essential that the defendant's misrepresentation should be such as to be really likely to cause substantial damage to that property.⁸⁸ If there is no damage or prospect of damage to the Claimant's business or goodwill then there can be no cause of action for passing off.⁸⁹ The action must fail if there is no damage to the Claimant's goodwill is reasonably likely to occur, even if the facts of the case correspond to the typical passing off action in every other respect.⁹⁰ Direct loss of sales, is the major head of damage in most of cases in which parties are in actual competition.⁹¹

51. There is no evident loss of sales. Instead it very clearly mentioned that the sales went up.⁹² Even apart from sales, the profits also continued.⁹³ Also, the markets of ATC and CTC do no overlap completely.

D. ADDITIONALLY, ATC HAS USED THE WORD FAIRLY AND IN GOOD FAITH AS THE SEEDS OF THE TEA ACTUALLY ORIGINATES FROM SRI LANKA.

⁸⁸ Wadlow, 254.

⁸⁹ Wadlow, 254.

⁹⁰ *Dental manufacturing co ltd v. C de Trey & Co*, [1912] 3 K.B. 76 CA, *Bulmer v. Bollinger* [1978] RPC 79, *Poiser Ltd. v. Fenez (Marcel)*, [1965] R.P.C. 187.

⁹¹ Wadlow, 271.

⁹² Q. 10, Clarifications.

⁹³ *Ibid.*

52. Where the raw materials of a product originate from a geographic area that is larger than or different to the processing area, the product name may still be protected.⁹⁴ When the allegedly infringing term is used fairly and in good faith only to describe to users the goods or services of a party, or their geographic origin, the other party is entitled to use the mark.⁹⁵ The holder to a protectable descriptive mark has no legal claim to an exclusive right in the primary, descriptive meaning of the term; consequently, anyone is free to use the term in its primary, descriptive sense so long as such use does not lead to customer confusion as to the source of goods and service.⁹⁶

53. According to Article 22.1 of the TRIPS Agreement, Geographical indications are, for the purposes indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.

54. 'Ceylon' was the former name of Sri Lanka. Hence the products that originated from Sri Lanka when marketed could be branded with the word 'Ceylon' i.e. the place wherein it originated from. ATC sourced the seeds from Sri Lanka, even though it was grown and manufactured in China.⁹⁷ Hence effectively the products hailed from 'Ceylon' i.e. Sri Lanka.

Conclusion: CTC cannot stop ATC from using the mark because the phrase is available in public domain and CTC does not have any exclusive rights with regard to the word 'Ceylon' since the real source of the products is 'Ceylon'. ATC's use of the word 'Ceylon' or phrase 'symbol of quality' does not amount to passing off because the Claimant has no goodwill in

⁹⁴ GI Regulation 510/2006, Art. 2(3).

⁹⁵ Ibid.

⁹⁶ McCarthy, *Trademarks and Unfair Competition*, §11.17, (1973), P. 379.

⁹⁷ Q. 12, Clarifications.

Malaysia, there is no misrepresentation by the Respondent and the Claimant has suffered no loss.

IV. THERE IS NO INFRINGEMENT OF THE “LION LOGO” BY THE USAGE OF “ATC MARK”

55. The trademarks in Sri Lanka are dealt and governed by the Intellectual Property Act of 2003.⁹⁸ The Act defines a “trademark” as any visible sign serving to distinguish the goods of one enterprise from those of another enterprise⁹⁹. Infringement as interpreted in section 144 (2) of the Intellectual Property Act says: - *Any subsequent use of a trade name by a third party, whether as a trade name or as a trade mark, service mark, collective mark or certification mark or any such use of similar trade name, trade mark, service mark or collective mark of certification mark likely to mislead the public shall be deemed to be unlawful.*

56. Section 121 (2) (a) enables the registered owner to stop others, from using the mark if it is likely to mislead others. This section does not preclude third parties from using the mark or a resembling sign provided (a) the goods or services are not similar or (b) even though the goods or services are similar, there is no likelihood of misleading the public.¹⁰⁰ Also under section 121 (4) , the court shall presume the likelihood of misleading the public in instances where a person uses a mark identical to the registered mark for identical goods or services in respect of which the mark is registered.

A. THE RESPONDENT’S MARK IS NOT SIMILAR TO THE CLAIMANT’S MARK

⁹⁸ Chapters XIX to XXIII.

⁹⁹ § 101 Intellectual Property Act, 2003.

¹⁰⁰ D M Karunaratna, *Elements of the Law of Intellectual Property Law in Sri Lanka* (1st, Sarasavi Publishers, Nugegoda, 2010), P. 249.

57. Rights of the registered users are protected in case the mark in question is misleading.

It is a question of fact whether a mark is substantially identical that will likely deceive or confuse¹⁰¹. It is not an objective evaluation solely by the court itself but it is my opinion that the court is entitled to take into account its own views on the evidence adduced by the parties.¹⁰² The question whether a mark is likely to mislead the public is a question of fact and a Court is entitled to exercise its own mind on this question in the absence of witnesses, representative of the public, to give evidence on this matter.¹⁰³

58. It was held in *Polo/Lauren Co. LP v. Shop-In Department Stores Pte Ltd*¹⁰⁴ that “In any event, for the purpose of determining similarity, one must look at the mark and sign as a whole and bearing in mind the actual differences between the two.” The test adopted by courts in deciding the likelihood to mislead was neatly put in *Thiagarajah v. Majeed*¹⁰⁵ where it was held that a case cannot be decided by simply comparing the two marks side by side, the point of distinction is the memory recollection of a rational person and whether he thinks that both the marks were different or not. The court has also held that “the court should not compare the two marks meticulously”.¹⁰⁶

59. In the present case the court should hence follow the tests laid down in the above mentioned. The symbols should not be compared as such only on the grounds that there was a lion in “CTC’s Mark” and a lion in “ATC’s Mark”. It is very clear that the Claimant has not conducted any surveys to know if any sort of confusion is going around in market regarding this. Hence, there was no scope of misleading the public.

The courts generally indulge in looking at the physical characteristics of the labels/

¹⁰¹ *Aristoc Ltd v. Rysta Ltd* (1943) 60 R.P.C. 87 CA.

¹⁰² *St. John Ambulans Malaysia v. PJ Uniform Sdn Bhd*, [2014] 1 LNS 1534, High Court.

¹⁰³ *James Fernando v. Officer In charge SCIB Negombo*, [1994] 3 SLR 35 (SC) at P. 40.

¹⁰⁴ [2006] 2 SLR 690.

¹⁰⁵ (1935) 4 CLW 41.

¹⁰⁶ *Viacom International Inc v. Maharaja Organization and Others* [2006] 1 SCL 140 (SC).

marks through a lens of objectivity, and place themselves in the shoes of reasonably well -informed consumer.¹⁰⁷ Visual similarity is the not the sole consideration, however, there is not even visual similarity in this case.

60. It is very evident from the first look of the lions on both the logos that there is huge difference between both of them. “CTC’s Mark” has the famous lion insignia¹⁰⁸ and the “ATC’s Mark” has a simple lion, which is moving forward. The idea behind using the famous insignia is that it gives warrior look to the lion whereas nothing of this sort is visible in the ATC’s lion. The heraldic lion on “Lion Logo” is representative of the lion on Sri Lanka’s national flag denoting its Sri Lankan origin.¹⁰⁹ ATC has not used the word ‘Ceylon’ in their logo, whereas CTC has. There is no year mentioned on the CTC logo, whereas 1972 is mentioned on the “ATC Logo”. The “ATC Logo” is a vertical rectangle, whereas the “CTC Logo” is a horizontal rectangle. Hence, there is no similarity in the trademarks and hence, there is no infringement.

B. “ATC’S MARK” IS NOT MISLEADING.

61. The Respondent seeks to disprove the argument of Claimant that he is free riding on his trademark by disproving that their mark is well known and hence free riding is not possible. Deception through a misleading mark cannot happen, because the Claimant’s mark is not well known.

62. The section 104 (2) of IP Act 2003 gives a non-exhaustive list to decide whether a trademark is well known or not. These are as follows: - particular facts and circumstances regarding the mark, degree of knowledge and recognition, duration extent and geographical area, successful enforcement of rights and the value

¹⁰⁷ *Distilleries Company of Sri Lanka v. Randenigala Distilleries Lanka (Private) Limited*, SC (CHC) Appeal No. 38 of 2010, Decided on December 19, 2014.

¹⁰⁸ ¶ 3, Proposition.

¹⁰⁹ Sri Lanka Flag and Description, available at <http://www.worldatlas.com/webimage/flags/countrys/asia/srilanka.htm>, last visited on 6th July, 2016.

associated with the mark. This is in agreement with the WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks¹¹⁰.

63. In *McDonalds Corporation v. Joburger Drive-Inn Restaurant (Pty) Limited*.¹¹¹ the South African court held that the term well-known should be tested on the basis of whether sufficient people knew the mark well enough to entitle it protection against deception or confusion. This could be adopted in a Sri Lankan context in determining whether the mark is well known or not.

64. It should be appreciated that CTC developed a consumer base tapping on the considerable market expertise of Chan.¹¹² Also, the duration for which the mark was registered is not long enough for it to be put in the category of well-known. It is very clear that the entire mark was not even registered in Malaysia, to give it a holistic look and for the mark in totality to become well known. Hence, the mark is not well known.

Conclusion: - The Claimant's mark is not well known and hence no free riding is possible by the Respondent and also, the Respondent has not infringed the "Lion Logo" because on comparison of the two marks, the logos are not even similar let alone identical.

¹¹⁰ Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Organization (WIPO) at the Thirty-Fourth Series of Meetings of the Assemblies of the Member States of WIPO September 20 to 29, 1999.

¹¹¹ 1997 (1) SA 1 Para 38.

¹¹² ¶ 13, Proposition.

REQUEST FOR RELIEF

On the basis of the foregoing arguments and prior written pleadings, The Respondent, respectfully request the Tribunal, while dismissing all contrary requests and submissions by Claimant,

TO ADJUDGE AND DECLARE that:

- A) The Respondent has not breached the Agreement and hence are not required to accede to the demands on the Claimant.
- B) The Respondent has every right to use the word ‘Ceylon’ on their products
- C) The Respondent is also within their legal rights to use the “ATC’s Mark”.

Respectfully signed and submitted by counsel on 15 July 2016,

_____/s/_____

Arbitrator X

_____/s/_____

Arbitrator Y

_____/s/_____

Arbitrator Z