

KUALA LUMPUR REGIONAL CENTRE FOR ARBITRATION

AT COLOMBO, SRI LANKA

**THE DISPUTE OVER THE DISTRIBUTION OF “SAILOR’S CEYLON”
IN MALAYSIA**

CHELSEA TEA COMPANY

(CLAIMANT)

V.

ALMOND TEA COMPANY

(RESPONDENT)

MEMORIAL FOR THE RESPONDENT

THE LAWASIA INTERNATIONAL CONFERENCE
INTERNATIONAL MOOT COMPETITION

2016

TABLE OF CONTENTS

TABLE OF CONTENTS.....	ii
INDEX OF AUTHORITIES.....	iv
STATEMENT OF JURISDICTION.....	vi
QUESTIONS PRESENTED.....	vii
STATEMENT OF FACTS	viii
SUMMARY OF PLEADINGS.....	xii
PLEADINGS	xiv
A. THE APPLICABLE LAW THAT SHOULD BE REFERRED TO IN THIS DISPUTE, GOING BY THE JURISDICTION WITH THE MOST REAL AND CLOSEST CONNECTION, IS MALAYSIAN LAW	xiv
I. The principle of ‘party autonomy’ may be interpreted tacitly to determine the applicable law in the absence a ‘choice of law’ clause in the Agreement.....	xv
II. The law of the seat of arbitration does not indicate a necessary connection with the subject matter of the dispute or the parties.	xvii
III. Malaysian law should be the applicable law of the Agreement as it refers to the place where the contract has the most real and closest connection with.....	xviii
B. THE DISTRIBUTION AGREEMENT IS NOT BREACHED AS RESPONDENT HAS NOT FAILED TO FULFILL THE CONTRACTUAL OBLIGATIONS UNDERTAKEN.....	xix
I. Respondent is not liable for breach of agreement by distributing SAILOR’S CEYLON products affixed with its mark.....	xx
II. The Respondent is not liable for breach of fiduciary duty under the Agreement	xxii
III. The Agreement does not specify a criterion to determine trademark resemblance.	xxiv
C. RESPONDENT’S USE OF THE WORD “CEYLON” IN ITS BRAND NAME FOR THE TEA PRODUCTS DOES NOT ACCOUNT FOR A MISLEADING GEOGRAPHICAL INDICATION	xxv
I. The applicable law of the Agreement denotes that Respondent is not legally prohibited to use the term “CEYLON”	xxv
(i) <i>Geographical Indications Act of 2000 (Act 602) of Malaysia will be applicable to Respondent’s use of the word “CEYLON”</i>	xxv
(ii) <i>Claimant has no exclusive rights over the words “CEYLON TEA” and “SYMBOL OF QUALITY” under the Malaysian Trade Mark Act of 1976</i>	xxvi

II.	The use of the word ‘CEYLON’ in Respondent’s brand name ‘SAILOR’S CEYLON’ is strictly an honest trade practice.	xxvii
	(i) <i>It is an indication of the registered address of Respondent</i>	xxvii
	(ii) <i>It is an indication of the source SAILOR’S CEYLON’s tea products</i>	xxviii
III.	The word “Ceylon” is a generic term and Respondent using it as a part of their brand name “SAILOR’S CEYLON” does not mislead the public as to its source of origin	xxxix
D.	RESPONDENT’S USE OF A MARK SO NEARLY RESEMBLING THE LION LOGO OF THE CLAIMANT AMOUNTS TO TRADEMARK INFRINGEMENT AND PASSING OFF.....	xxx
I.	Non-infringement of the claimant’s trademark by the respondent	xxx
	(i) <i>The rights of Claimant granted by the Malaysian Trademarks Act of 1976 are not violated by Respondent</i>	xxx
	(ii) <i>Defences available for the Respondent against a claim of trademark infringement renders Respondent non-liable</i>	xxxii
II.	Passing-off.....	xxxiv
	(i) <i>A goodwill or reputation attached to the goods supplied by the claimant</i>	xxxiv
	(ii) <i>Alleged misrepresentation by the Respondent leading the public to believe that his products are the products of the Claimant</i>	xxxv
	(iii) <i>A damage suffered by the Respondent’s alleged misrepresentation</i>	xxxvii

INDEX OF AUTHORITIES

Books

Andrew Tweeddale and Keren Tweeddale, <i>Arbitration Of Commercial Disputes</i> (Oxford University Press 2007)	16, 18
Bentley Lionel and Brad Sherman, <i>Intellectual Property Law</i> (4th edn, Oxford University Press 2014)	30
Lawrence Collins and others, <i>Dicey, Morris and Collins on The Conflict of Laws</i> (14th edn, Sweet & Maxwell Ltd 2008)	17
Michael Mustill and Stewart C Boyd, <i>The Law and Practice of Commercial Arbitration in England</i> (2nd edn, Butterworths 1989)	19
Narayanan, <i>Law of Trade Marks and Passing Off</i> (7th edn, Eastern Law House 2004)	34
Nigel Blackby and others, <i>Redfern and Hunter on International Arbitration</i> . (5th edn, Oxford University Press 2009)	14, 15, 17
W.R. Cornish and others, <i>Intellectual Property</i> (8th edn, Sweet & Maxwell 2013)	36

Judicial and Arbitration Decisions

<i>Aristoc v Rysta</i> [1945] AC 68 (HL)	37
<i>Atlantic Underwriting Agencies Ltd v. Compagnie di Assicurazione di Milano</i> [1979] 2 Lloyd's Rep. 240	18
<i>Barclays Bank Plc v HHY Luxembourg SARL</i> [2011] 2 BCLC 336, (CA)	25
<i>Bay Hotel & Resource Ltd. v. Cavalier Construction Co. Ltd.</i> [2001] UKPC 34, (PC)	16
<i>BMW v Deenik I</i> Case C-63/97 ECR 905 (CJEU)	38, 39
<i>Byrnes v Kendle</i> (2011) 243 CLR 253 (98) (CA)	21
<i>Codelfa Construction Pty. Ltd v State Rail Authority of New South Wales</i> (1982) 149 CLR 337 (CA)	21
<i>Daper v Trist and Tristbestos Brake Linings Ltd</i> [1939] 56 RPC 429 (CA)	38
<i>Diagnostica Inc. v. Centerchem Inc.</i> [1998] 44 New South Wales Law Review 312	16
<i>Gerolsteiner Brunnen GmbH & Co v Putsch GmbH</i> C-100/02 [2004] 2 ECR 691 (CJEU)	25, 34
<i>Gillette Co. V. L.A-Laboratories Ltd.</i> [2005] ECR 1-2337 (CJEU)	38
<i>Hotel Cipriani srl v Cipriani (Grosvenor Street) Ltd</i> [2010] EWCA Civ 110 (CA)	28
<i>I.R.C v Muller</i> [1901] A.C. 217 (HL)	36
<i>ICC Award in Case No. 4237</i> (1985) X Ybk Comm Arbn 52	19
<i>ICC Award in Case No.1512</i> [1976] YCA 128 (ICC)	16
<i>Imperial v. Philip Morris</i> [1984] RPC 293 (CA)	38
<i>Irvine v Talksport</i> (2002) F.S.R. 943	34
<i>L'Oreal v Bellure</i> [2008] 1 E.T.M.R. (CA)	38
<i>Linoleum Manufacturing Co. v Nairn</i> [1877-78] 7 L.R. 834 (Ch. D)	30
<i>McCurry Restaurant (KL) Sdn Bhd v McDonald's Corporation</i> [2009] 3 MLJ 774	33
<i>Melanesian Mission Trust Board v Australian Mutual Provident Society</i> [1996] 74 P&CR 297 (PC)	23

<i>Parker-Knoll v Knoll International</i> [1962] 3 RPC 265 (HL)	34
<i>Phones 4U Ltd v Phone4U.co.uk Internet Ltd</i> [2007] RPC 83 (CA).....	37
<i>Reckitt & Colman Ltd v Borden Inc</i> [1990] 1 All E.R. 873 (HL).....	35
<i>Reyes v Metromedia Software, Inc.</i> [2012] 13935 FSupp2d 752 (WL) (840).....	22
<i>Star Industrial Co. Ltd v Yap Kwee Kor</i> [1975] FSR 256 (HL)	36
<i>Stockholm Arbitration Report, Commentary by Fernandez-Armesto (2002)</i>	18
<i>Stringfellow v McCain Foods (GB) Ltd</i> [1984] (101) 24 RPC 501 (CA).....	39
<i>The Castle Alpha</i> [1989] 2 Lloyd’s Rep. 383	18
<i>Toll (FGCT) Pty, Ltd. v Alphapharm Pty, Ltd</i> [2004] 219 CLR 165 (CA)	22

Statutes

Geographical Indications Act of Malaysia 2000, (Act 602)	26
Intellectual Property Act of Sri Lanka 2003, No 36	26
Trade Marks Act of Malaysia 1976, (Act 175).....	32

Treatises

Paris Convention for the Protection of Intellectual Property of 1967. 21 UST 1583, 828 UNTS 305	29
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Other Authorities

Hasita De Alwis, “ <i>Ceylon Tea - Sri Lanka’s Best Known Geographical Indication</i> ” (Worldwide Symposium on Geographical Indications, Bangkok, March 2013).....	25, 31
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STATEMENT OF JURISDICTION

Chelsea Tea Company (“Claimant”) and Almond Tea Company (“Respondent”) have agreed to submit the dispute concerning the manufacture and distribution of “SAILOR’S CEYLON” affixed with Almond Tea Company’s mark to arbitration pursuant to Clause 22 of the Distribution Agreement (“Agreement”) dated 20 October 2008 the parties have entered into. Pursuant to Clause 22 this arbitral tribunal has jurisdiction to decide “any dispute, controversy or claim arising out of or relating to” the Agreement or the breach thereof

The parties have agreed that the seat of arbitration shall be Colombo, Sri Lanka while procedural rules governing the arbitral proceedings shall be KLRCA i- Arbitration Rules.

QUESTIONS PRESENTED

Respondent respectfully asks the Arbitration Tribunal:

1. Whether the dispute over Respondent's distribution of SAILOR'S CEYLON in Malaysia is governed by Sri Lankan law based on the seat theory or by any other law.
2. Whether the Respondent's distribution of SAILOR'S CEYLON affixed with its Mark in Malaysia constituted a breach of the Distribution Agreement.
3. Whether the Respondent has a standing to use the word "CEYLON" in respect of its tea products.
4. Whether the Respondent's use of its Mark is in compliance with the law governing trademark infringement and passing off.

STATEMENT OF FACTS

Respondent's Registered Address

Respondent is incorporated in Singapore in 1999 whose registered address is at Suite 18-1, Katong Tower, 87 Ceylon Road, Singapore 429665

Distribution Agreement

Claimant is a Company incorporated in Sri Lanka which manufactures "Ceylon Tea" under the brand name CTC CEYLON.

Claimant and Respondent entered into an agreement on the 20th October 2008 in Malaysia for the distribution of CTC CEYLON tea products to obtain the benefit of Philip Chan's (the Managing Director of Respondent) impressive knowledge in the Malaysian tea industry. The Agreement expired after five years and it was not renewed after its expiry.

The place of performance of the said Agreement is Malaysia.

Nominal Consideration

Claimant and Respondent entered into the Distribution Agreement upon a nominal consideration by which Claimant grants Respondent the exclusive right to distribute its products in Malaysia for five years and Respondent agrees to act in that capacity, subject to the terms and conditions of the Agreement.

Claimant's Consumer Base in Malaysia

CTC CEYLON developed a strong consumer base in Malaysia under Respondent's distributorship. Owing to Chan's considerable market expertise, after entering into the Agreement, the brand CTC CEYLON was able to develop a strong consumer base in Malaysia.

Targets Realized By Claimant with Distributorship of Respondent

In 2012, Claimant constituted approximately 35% of the global nett revenue exceeding targets set out by the parties in Clause 3.2 of the Agreement.

Claimant has set up its Southeast Asian headquarters in Kuala Lumpur to promote and distribute CTC CEYLON tea in the region, in line with Claimant's aspirations for global dominance which was a vision of Claimant's Chairman before entering into the distribution contract with Respondent.

Claimant's Trade Mark Rights in Malaysia

Claimant is a registered user of SLTB's Lion Logo which has been registered under the Intellectual Property Act of Malaysia of 1976 bear the Intellectual Property Cooperation of Malaysia has imposed a condition to the effect that SLTB has no exclusive rights over the words "CEYLON TEA" and "SYMBOL OF QUALITY" contain in the Lion Logo.

SAILOR'S CEYLON

Respondent has been growing and manufacturing tea in China since January 2009 and distributing such tea products under the brand name "SAILOR'S CEYLON" in Malaysia since 2012. Although Respondent markets other tea products, namely green tea and white tea, SAILOR'S CEYLON brand name has only been used to market a range of Black tea including Earl's Gray and English Breakfast tea.

Restrictions on Respondent

Respondent is prohibited from obtaining Claimant's products or any other goods that compete with them for resale from any person other than Claimant by Clause 4.1 of the Agreement.

SAILOR'S CEYLON's tea is not a product obtained for resale but a product manufactured and distributed by Respondent.

Further, by Clause 4.2 of the Agreement, Respondent is prohibited from being directly or indirectly concerned or interested in the manufacture or the distribution in Malaysia of any goods that compete with Claimant's products affixed with Claimant's trademarks or any other arguably similar mark in Malaysia.

Source of Seeds of SAILOR'S CEYLON's tea

Respondent started growing and manufacturing tea in China in January 2009. It has never used any seeds other than those that originated from Sri Lanka when planting SAILOR'S CEYLON in China.

Proof of Confusion among Consumers

In March 2015, it came to Claimant's attention that Respondent has been distributing tea products under the brand name SAILOR'S CEYLON. Claimant had only come to know about the product from an employee of Claimant who saw the product in a Malaysian supermarket and then only Claimant decided to launch further investigations into the people behind SAILOR'S CEYLON.

Immediately after that, Claimant wrote to Respondent claiming damages for the breach of the Agreement.

But, there is no record of any market survey done by Claimant to show whether Respondent's mark is causing confusion among the public in Malaysia.

Non- Representation of SAILOR'S CEYLON's Tea as Ceylon Tea

Respondent did not manufacture its tea products in accordance with the requirements set out by the Sri Lanka Tea Board and has never advertised SAILOR'S CEYLON's tea as Ceylon Tea.

The Arbitration Clause

Claimant and Respondent finally decided to settle the matter by arbitration in accordance with the Clause 22 of the Agreement which states that in a situation where the Agreement is breached, it shall be settled by arbitration in accordance with the KLRCA Arbitration Rules.

SUMMARY OF PLEADINGS

Claim A

The applicable law that should be referred to in this dispute, going by the jurisdiction with the most real and closest connection, is Malaysian Law. Due to the absence of an express choice of law clause in the agreement, the intention of the parties regarding the governing law of the agreement from which they derive their rights and obligations must be interpreted tacitly. The maxim *qui indicem forum elegit jus*: a choice of forum is a choice of law, however, does not necessarily imply that the applicable law of the contract would be Sri Lankan Law as the seat of arbitration could have been chosen for various other reasons. Hence, Malaysian Law should be the applicable law of the Agreement as it refers to the place where the Agreement has the most real and closest connection with.

Claim B

Respondent is not liable for breach of the Agreement between itself and Claimant. The Agreement has been reached upon a nominal consideration which challenges the enforceability of the rights and obligations emanating from it. Even if the Agreement is considered enforceable, Respondent is not liable for a breach since it has fulfilled contractual obligations in its capacity as a Distributor. Accordingly, it is not liable for a breach of contract by manufacturing and distributing SAILOR'S CEYLON's tea as the grounds on which a mark becomes 'arguably similar' cannot be derived from Agreement itself even though the parties have agreed upon the inclusiveness of the Agreement. Additionally, duties of loyalty cannot be accorded to the Distributor as it has been established by the Agreement that an agency relationship carrying fiduciary duties does not exist between the two parties.

Claim C

Respondent's use of the word "CEYLON" in its brand name for the tea products does not account for a misleading geographical indication. In addition to the fact that Claimant has not exclusive rights over "CEYLON TEA", the word CEYLON in SAILOR'S CEYLON is used not as a generic term but as an honest business practice since it is an indicator of the registered address of Respondent as well as of the source of seeds that Respondent uses to produce its SAILOR'S CEYLON's tea.

Claim D

Respondent's act of manufacturing and distributing SAILOR'S CEYLON affixed with its mark does not constitute trademark infringement or a violation of Claimant's rights as an authorized user of the Lion Logo. The mark used by Respondent carries sufficient distinctions to distinguish itself from the trademark of Claimant and thereby avoids any likelihood of confusion by a reasonable purchaser. Alternatively, such act does not give rise to a claim of passing off on the grounds that; Claimant's goodwill in the Malaysian market is not independent from Respondent's business and distributorship; Respondent has not misrepresented its goods as that of Claimant; hence does not cause damage to Claimant's goodwill.

PLEADINGS

A. THE APPLICABLE LAW THAT SHOULD BE REFERRED TO IN THIS DISPUTE, GOING BY THE JURISDICTION WITH THE MOST REAL AND CLOSEST CONNECTION, IS MALAYSIAN LAW

Arbitration does not take place in a legal vacuum. Law would always apply when it comes to law of contracts as obligations and duties that are created by contracting parties through an agreement is founded on principles of law regardless of the dispute resolution mechanism adopted by such a contract.

As Lord McNair stated in ‘**The General Principles of Law Recognized By Civilized Nations**’ (1957) 33 BYIL, 1, at 7,

It is often said that the parties to a contract make their own law and it is of course true that subject to the rules of public policy and *ordre public* has parties are free to agree upon such terms as they may choose. Nevertheless, agreements that are intended to have a legal operation (as opposed to a merely social operation) create legal rights and duties, and legal rights and duties cannot exist in a legal vacuum but have a place within a legal system which is available for dealing with such questions as the validity, application and interpretation of contracts and generally for supplementing their express provisions.¹

In fact, as the matter at hand is of an international character, as the contract is between parties originating from different places of incorporation etc., the complexity that generated from that affects the legal aspect of the contract as well. Consequently, there could be different

¹ Nigel Blackby and others, *Redfern and Hunter on International Arbitration*. (5th edn, Oxford University Press 2009) 164

legal systems that apply to govern different types of substantive and procedural laws that emanate from the contract. In the case at hand, as it is relating international commercial arbitration, one could identify five different systems of that might have a bearing on the matter²:

1. The law governing the arbitration agreement and the performance of that agreement.
2. Law governing the existence and proceedings of the arbitral tribunal.
3. The law, or the relevant legal rules, governing the substantive issues in dispute (generally described as the applicable law, the governing law, the proper law of the contract, or the substantive law)
4. Other applicable rules and non-binding guidelines and recommendation.
5. The law governing recognition and enforcement of the award.

I. The principle of ‘party autonomy’ may be interpreted tacitly to determine the applicable law in the absence a ‘choice of law’ clause in the Agreement.

More often than not, the applicable law governing the Agreement between parties is determined by a ‘choice of law’ clause where the parties, on their own, decide on the law applicable to the contract during the formation of the contract through mutual consent. This clause emanates from the principle of ‘party autonomy’ which basically permits the parties to choose the law or laws applicable to the arbitration as well as any procedural rules³. In fact, the principle of ‘party autonomy’ is considered as a ‘key principle of current arbitration law’

² *Ibid.*, p.157.

³ Andrew Tweeddale and Keren Tweeddale, *Arbitration Of Commercial Disputes* (Oxford University Press 2007) 216

in the case *Bay Hotel & Resource Ltd. v. Cavalier Construction Co. Ltd.*⁴ and in the case *Diagnostica Inc. v. Centerchem Inc*⁵ as the ‘cornerstone of modern arbitration’. Essentially, in *ICC Award in Case No.1512*⁶, the arbitral tribunal stated:

There are few principles more universally admitted in private international law than that referred to by the standard terms of the ‘proper law of the contract’ according to which the law governing the contract is that which has been chosen by the parties, whether *expressly or* (with certain differences or variations according to the various systems) *tacitly* [emphasis added]. The differences which may be observed here between different national systems relate only to the possible limits of the parties power to choose the applicable law or to certain special questions or to modalities, but not to the principle itself, which is universally accepted.

It is evident that the Agreement does not *expressly* contain such a choice of law clause which would have assisted to determine both the substantive law of the contract and the governing law of the arbitration agreement. As the parties have not *expressly* used their party autonomy, it is up to the arbitration tribunal to select the applicable law of the Agreement while considering whether the parties have *tacitly* indicated their party autonomy. Tacit choice of law may also be known as implied, inferred or implicit choice as it usually look first for the law that the parties are presumed to have intended to choose⁷. According to the Agreement, the parties have expressly selected the seat of the arbitration and the law governing the existence and proceedings of the arbitral tribunal. These two factors need to be analyzed in order to understand whether there is a nexus between it and the tacitly chosen applicable law of the Agreement.

⁴ [2001] UKPC 34 (PC)

⁵ 44 New South Wales Law Review 312

⁶ [1976] YCA 128 (ICC)

⁷ **Redfern and Hunter**, *supra* note 1, p. 231.

II. The law of the seat of arbitration does not indicate a necessary connection with the subject matter of the dispute or the parties.

Here, as per **Clause 22.2** of the Agreement, parties have chosen the seat of arbitration to be Colombo, Sri Lanka. The maxim *qui indicem forum elegit jus*: a choice of forum is a choice of law, however, doesn't necessarily apply to the case at hand. The assumption expressed in the above maxim that the seat of arbitration chosen shows the intention of the parties to apply the law of that country to the substance of their dispute is more suitable for litigation and less compelling when it comes to arbitration. This is because the seat of arbitration may have been chosen for various other reasons. 'The choice may have been dictated by convenience, or by the desire to find a neutral venue than by any necessary connection with the subject matter of the dispute of the parties'.⁸

The above argument could be proven using the holding made in one case before the *Arbitration Institute of the Stockholm Chamber of Commerce*:

It is highly debatable whether a preferred choice of the *situs* of the arbitration is sufficient to indicate a choice of governing law. There has for several years been a distinct tendency in international arbitration to disregard this element, chiefly on the ground that the choice of the place of arbitration may be influenced by a number of practical considerations that have no bearing on the issue of applicable laws.⁹

⁸ Lawrence Collins and others, *Dicey, Morris and Collins on The Conflict of Laws* (14th edn, Sweet & Maxwell Ltd 2008) 716

⁹ Stockholm Arbitration Report, *Commentary by Fernandez-Armesto* (2002) page 59

This position has been held in cases like *Atlantic Underwriting Agencies Ltd v. Compagnie di Assicurazione di Milano*¹⁰ where the seat of arbitration was in Geneva while the applicable law of the contract was Italian Law and *The Castle Alpha*¹¹ where the seat of arbitration was in London while the contract governed by Japanese Law. So it can be inferred that the choice of the seat of arbitration being Colombo, does not necessarily imply that the applicable law of the contract would be Sri Lankan law.

III. Malaysian law should be the applicable law of the Agreement as it refers to the place where the contract has the most real and closest connection with.

Most modern arbitration legislation and arbitration rules provide that where the parties have not chosen an applicable law to determine the merits then the arbitral tribunal may apply the law determined by the conflict of law rules which it considers applicable¹². Accordingly, one common option that is available to determine the applicable law of an agreement is by identifying the system of law with which the Agreement has its closest and most real connection.¹³ In *ICC Award in Case No. 4237*¹⁴, the arbitral tribunal held that the applicable conflict of laws rules were those which had the closest connection to the dispute. It stated that:

In view of the international character of the present arbitration, the Arbitrator deems it appropriate to apply those conflict rules which are generally followed in international

¹⁰ [1979] 2 Lloyd's Rep 240

¹¹ 2 Lloyd's Rep 383

¹² **Tweeddale & Tweeddale**. supra note 3, p.205

¹³ Michael Mustill and Stewart C Boyd, *The Law and Practice of Commercial Arbitration in England* (2nd edn, Butterworths 1989) 71

¹⁴ X Ybk Comm Arbn 52 (ICC)

arbitrations of the kind under consideration. The decided international awards published so far show a preference for the conflict rule according to which the contract is governed by the law of the country with which it has the closest connection.

Going by this stance, the nationality of the parties, the place where the contract was made, the place or places where it was to be performed, principal place of business, the place where the contract was concluded, the language and the terminology of the contract must be considered to identify and establish the place that shares the closest and most real connection with the Agreement¹⁵.

As the place where the contract was made, concluded, and the place where it was to be performed is Malaysia, Malaysian Law seems to share the most real and closest connection with the Agreement. This could be fortified with the fact that KLRCA rules were chosen by the parties as the governing law of the procedure of arbitration. Hence, that acts as a factor to establish a connection between Malaysia and the Agreement which contributes to determine Malaysian Law as the substantive law of Agreement. Therefore it can be concluded that Malaysian Law and the relevant legislation will apply to govern the merits and disputes of the Agreement at hand.

B. THE DISTRIBUTION AGREEMENT IS NOT BREACHED AS RESPONDENT HAS NOT FAILED TO FULFILL THE CONTRACTUAL OBLIGATIONS UNDERTAKEN

¹⁵ Mustill & Boyd, supra note 13

R. Joliet, 'Trademark Licensing Agreements under the EEC Law of Competition states:

A distributorship agreement is merely a means by which a producer regulates how their goods reach the market. Although distribution agreements are not usually trade mark licenses, such agreements may include clauses requiring the distributor to sell the goods under the producer's trade mark in a manner specified by the producer.¹⁶

I. Respondent is not liable for breach of agreement by distributing SAILOR'S CEYLON products affixed with its mark

Clause 4.2 of the Agreement prohibits the respondent, being the distributor, from being directly or indirectly concerned or interested in the manufacture or distribution in Malaysia of any goods that compete with the products of the claimant, affixed with the trademarks or any other arguably similar mark during the term of the Agreement and for a period of 12 months after it. The disputed product 'SAILOR'S CEYLON' was introduced into the Malaysian market in 2012, which is within the term of the Agreement. But as per the said Clause, it is only prohibited to be concerned or interested in the manufacture or distribution of any goods that compete with the products affixed with the 'trademarks or any other arguably similar mark' implying that the restriction imposed is not conditional but an absolute ban.

Here, the Respondent manufactures a competing product in China, not in 'the Territory' and the distribution is done in Malaysia affixed with the Respondent's mark. The Claimant connotes that this is an arguably similar mark, but has not specified the criterion to determine

¹⁶ R. Joliet, 'Trademark Licensing Agreements under the EEC Law of Competition'. 1983-84. 5 Nw J Intl L & Bus 755,764-5

one in the Agreement. As per **Clause 16.2** of the Agreement, the parties have confirmed that the whole of their negotiations and intentions have been included in it within its context and express clearly their requirements. In *Codelfa Construction Pty. Ltd v State Rail Authority of New South Wales*¹⁷, Mason J held that, ‘Obviously the prior negotiations will tend to establish objective background facts which were known to both parties and the subject matter of the contract. To the extent to which they have this tendency, they are admissible’. Hence, relating it with **Clause 16.2**, it could be understood that objective background facts could be established by looking at the Agreement itself, and as per *Byrnes v Kendle*¹⁸ in which Heydon and Crennan JJ have held a core legal principle governing contract interpretation as,

Contractual construction depends on finding the meaning of the language of the contract-the intention which the parties expressed, not the subjective intentions which they may have had, but did not express. A contract means what a reasonable person having all the background knowledge of the ‘surrounding circumstances’ available to the parties would have understood them to be using the language in the contract to mean.

Thus, the grounds on which a mark becomes ‘arguably similar’ cannot be derived from the subjective and unexpressed convictions of the claimant. Further, there is no evidence that a reasonable person with background knowledge of the surrounding circumstances would conclude that the respondent’s mark is arguably similar to the trademark of the Claimant. This was further elucidated in *Toll (FGCT) Pty, Ltd. v Alphapharm Pty, Ltd*¹⁹, it was held that, ‘It is not the subjective beliefs or understandings of the parties about their rights and

¹⁷ [1982] 149 CLR 337 (CA) (Mason J)

¹⁸ [2011] 243 CLR 98 (CA) (Heydon and Crennan JJ)

¹⁹ [2004] 219 CLR 165 (CA)

liabilities that govern their contractual relations. What matters is each party by words and conduct would have led a reasonable person in the position of the other party to believe’.

II. The Respondent is not liable for breach of fiduciary duty under the Agreement

‘The proper interpretation of an unambiguous contract is a question of law for the court,’ and ‘courts are to enforce them as written’ (*Reyes v Metromedia Software, Inc.*)²⁰. By **Clause 4.1**, the Respondent has agreed not to obtain Ceylon Tea products bearing the Trade Marks produced by the claimant or any goods that compete with them, for resale from any person other than the Claimant. But it is submitted that the Respondent does not engage in reselling but in manufacturing and distributing a competing product under the brand name ‘SAILOR’S CEYLON’ and its own mark.

In *Melanesian Mission Trust Board v Australian Mutual Provident Society*²¹, it was held that:

The approach that must be taken to the construction of a clause in a formal document of this kind is well settled. The intention of the parties is to be discovered from the words used in the document. Where ordinary words have been used, they must be taken to have been used according to the ordinary meaning of the words. If their meaning is clear and unambiguous, effect must be given to them because that is what the parties are taken to have agreed to by their contract. Various rules may be invoked to assist interpretation in the event that there is an ambiguity. But it is not the function of the court when constructing a document to search for an ambiguity. Nor should the rules which exist to resolve ambiguities be invoked to create an ambiguity which,

²⁰ [2012] 13935 FSupp2d 752 (WL) (840)

²¹ [1996] 74 P&CR 297 (PC)

according to the ordinary meaning of the words, is not there. So the starting point is to examine the words used in order to see whether they are clear and unambiguous. It is of course legitimate to look at the document as a whole and to examine the context in which these words have been used. But unless the context shows that the ordinary meaning cannot be given to them or, that there is an ambiguity, the ordinary meaning of the words which have been used in the document must prevail

Hence, it is clear that the expressed intentions of the Agreement denote that the Respondent is merely a distributor as the conditions imposed through **Clause 4** of the Agreement point out that the Respondent is restricted from obtaining Products for *resale* from any other person. This particular Clause compliments with **Clause 2.3** of the Agreement where it is stated that the Respondent may describe itself as the Claimant's 'Authorized Distributor' for the products but must not hold himself out as the Claimant's agent for sales of the product or as being entitled to bind the Claimant in anyway. Thus, it is evident that a fiduciary duty is not vested upon the Respondent. Hence, the Respondent is not bound to avoid conflict of interest and to maintain other additional duties that an agent is bound by. The scope of the duties and obligations that must be undertaken by the Respondent is strictly limited to the ones imposed by the Agreement which the Respondent has fulfilled until the expiry of the Agreement. Therefore, it could be submitted that the Respondent has not breached the Agreement under Clause 4.1 by engaging in distributing SAILOR'S CEYLON in Malaysia as it doesn't account for a resale.

III. The Agreement does not specify a criterion to determine trademark resemblance

Use in Malaysia any trademarks or trade names so resembling the trademarks or trade names of the Claimant as to be likely to cause confusion or deception is prohibited to the Respondent by **Clause 9.3.7** of the Agreement. When interpreting this clause of the Agreement, a question rises as to the criterion that applies to determine the resemblance of marks and trade names with that of Claimant's as no such criterion is expressed in the Agreement by the parties. Thereby, no direct interpretation consented by both parties could be derived by the Agreement which implies that any later interpretation would be subjectively constructed.

Alternatively, another approach could be observed in *Barclays Bank Plc v HHY Luxembourg SARL*²² where Longmore LJ stated that, 'When alternative constructions are available, one has to consider which is the more commercially sensible'. Going by this approach, in order to determine the more commercially sensible interpretation, the Territory in question needs to be evaluated.

In 'Malaysia Overview', the World Bank states that²³:

Malaysia is a highly open upper middle income economy. Malaysia was one of the thirteen countries identified by the Commission on Growth and Development in its 2008 Growth Report to have recorded average growth of more than 7% per year for twenty-five years or more.-

As suggested in *Gerolsteiner Brunnen GmbH & Co v Putsch GmbH*²⁴, 'A certain amount of confusion might need to be tolerated with regard to the size of the economies'. Taking this

²² [2011] 2 BCLC 336 (CA) [25]-[26] (Longmore LJ)

²³ 'Malaysia Overview' (*The World Bank*, April 2016)

<<http://www.worldbank.org/en/country/malaysia/overview>> accessed 08.07.2016

²⁴ *C-100/02* [2004] 2 ECR 691 (CJEU)

under consideration, it can be concluded that even if there is a slight confusion caused by a resemblance of any kind (albeit no such criterion is expressed by the parties), it does not give rise to a breach of the Agreement due to the size and nature of the economy of the Territory.

Moreover, though the respondent is strictly prohibited by **Clause 9.7** from doing or authorizing any third party to do any act that would or might invalidate or be inconsistent with any intellectual property of the Claimant, and must not omit to do any act that, by its omission, would have that effect or authorize any third party to omit to do any such act, it is submitted that the Respondent marketing his product affixed with his own mark does not invalidate or is inconsistent with the intellectual property rights of the Claimant.

C. RESPONDENT’S USE OF THE WORD “CEYLON” IN ITS BRAND NAME FOR THE TEA PRODUCTS DOES NOT ACCOUNT FOR A MISLEADING GEOGRAPHICAL INDICATION

I. The applicable law of the Agreement denotes that Respondent is not legally prohibited to use the term “CEYLON”

(i) Geographical Indications Act of 2000 (Act 602) of Malaysia²⁵ will be applicable to Respondent’s use of the word “CEYLON”

Section 02 of the **Geographical Indications Act of Malaysia** defines “geographical indications” as an ‘indication which identifies any goods as originating in a country or territory, or a region or locality in that country or territory, where a given quality, reputation or other characteristic of the goods is essentially attributable to their geographical origin.’

Even if the **Intellectual Property Act, No. 36 of 2003 Sri Lanka²⁶** is used as the applicable law to determine the matter on Respondent’s use of the word “CEYLON”, pursuant to

²⁵ Geographical Indications Act of Malaysia 2000, (Act 602)

Section 101 of the Act, it is evident that an identical definition, to that of the respective provision of the Malaysian Act, has been adopted.

Hence, it can be submitted that the concept geographical indications encompasses the features of reputation, quality and other characteristics which can be essentially attributed to the geographical origin of a product.

(ii) Claimant has no exclusive rights over the words “CEYLON TEA” and “SYMBOL OF QUALITY” under the Malaysian Trade Mark Act of 1976

As mentioned in **Section 35(1)** of the Malaysian Trade Mark Act of 1976

the registration of a person as registered proprietor of a trade mark (other than a certification trade mark) in respect of any goods or services shall, if valid, give or be deemed to have been given to that person the exclusive right to the use of the trade mark in relation to the use of goods or services subject to any conditions, amendments, modifications and limitations entered in the Register

Accordingly, the condition imposed by the Intellectual Property Cooperation of Malaysia denotes that the Sri Lankan Tea Board does not have an exclusive right over the words “CEYLON TEA” and “SYMBOL OF QUALITY”. Hence, Claimant is not entitled to bring a claim against use of the term “CEYLON” as a part of Respondent’s brand name since Claimant does not possess exclusive rights over “CEYLON”-related terms.

²⁶ Intellectual Property Act of Sri Lanka 2003, No 36

II. The use of the word ‘CEYLON’ in Respondent’s brand name ‘SAILOR’S CEYLON’ is strictly an honest trade practice.

(i) It is an indication of the registered address of Respondent

Pursuant to the ‘own name defence’ that is recognized in **Section 40 (1) (a)** of the Malaysian Trade Marks Act of 1976²⁷, ‘the use in good faith by a person of his own name or the name of his place of business’, does not constitute to a trade mark infringement. Conspicuously, the term ‘CEYLON’ is a part of Claimant’s brand name and its Trade Mark over which it has not been granted exclusive rights by the Intellectual Property Corporation of Malaysia. The registered address of Respondent is Suite 18-1, Katong Tower, 87 Ceylon Road, Singapore 429665 which indicates that the word ‘CEYLON’ has a genuine connection with Respondent’s place of business. Hence, its usage of the term ‘CEYLON’ in its brand name to describe its products constitutes an honest trade practice which falls within the own name defence criterion as determined in *Hotel Cipriani srl v Cipriani (Grosvenor Street) Ltd*²⁸, namely: ‘(a) what the trading name is; (b) in what circumstances it has been adopted; and (c) whether the use is in accordance with honest practices’ and thereby qualifies for its protection.

Additionally, in the above case, it was held that ‘There is no per se rule that a trading name is not a person’s own name, although a substantial variation from it is not’ implying that company names do not qualify for the protection offered under the own name defence. This complements with **Article 29** of the Geographical Indications Act of Malaysia, which states that the personal name defence encompasses personal names used in a manner not misleading the public implying that it does not extend to company names. As the term “CEYLON” does

²⁷ Trade Marks Act of Malaysia 1976, (Act 175)

²⁸ [2010] 2 Civ 110 (CA)

not constitute a part of Respondent's company name and thus qualifies for the protection offered by the defence.

(ii) It is an indication of the source SAILOR'S CEYLON's tea products

The fact that Respondent has not used seeds from any other source when growing SAILOR'S CEYLON in China asserts that, the use of the word CEYLON in its products is not a breach of geographical indication and no way could it mislead the public as to the authenticity of the product. Therefore, it can be submitted that Respondent has a reasonably constructive connection to the word CEYLON in its products. Respondent has also not used the word "Ceylon Tea" for any of its tea products, indicating that it has no obligation to comply with the SLTB standards, but has used "SAILOR'S CEYLON" for the reason that it is their brand name for the range of Black Tea products. The fact that, Respondent not using the brand name SAILOR'S CEYLON before 2008²⁹ and distributing SAILOR'S CEYLON's tea products to the market in 2012³⁰ show that the word CEYLON is symbolic. This could be related with the year in which seeds were sourced from Sri Lanka which is 2009.³¹ Additionally, the fact that Respondent has not used the brand name with the term "CEYLON" to market any of its products other than those whose seeds were actually sourced from Sri Lanka indicates that its usage was not misleading the public but denoting the actual place of origin.

Schedule to the Malaysian Geographical Indications Act incorporates rules on Unfair Competition in **Article 10bis** of the **Paris Convention for the Protection of Intellectual Property of 1967**³². Its paragraph 3 (3) prohibits, 'indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing

²⁹ Question 5 of Further Clarifications to the *Compromis*

³⁰ Paragraph 14 of the *Compromis*

³¹ Question 6 of Clarifications to the *Compromis*

³² Paris Convention for the Protection of Intellectual Property of 1967. 21 UST 1583, 828 UNTS 305

process, the characteristics, the suitability for their purpose, or the quantity, of the goods'. Here, it is submitted that the source of SAILOR'S CEYLON's tea justifies the usage of the term "CEYLON" by Respondent and that it does not mislead the public as to the manufacturing process and characteristics of the brand in question.

III. The word "Ceylon" is a generic term and Respondent using it as a part of their brand name "SAILOR'S CEYLON" does not mislead the public as to its source of origin

Lionel Bently and Brad Sherman in *Intellectual Property Law* state that:

One of the features of a generic mark is that it is no longer capable of distinguishing goods or services of different traders. Where a word comes to describe about a class of products, it can no longer be relied upon to separate the products in the class from each other.³³

Accordingly, a generic term over time obtains such a character that it is regarded as a genus or type of product rather than indicating, 'a particular product originating from a particular source'³⁴. *Linoleum Manufacturing Co. v Nairn*³⁵, fortifies the above stance by holding that, 'If the public uses the term to refer to the product, generally without connoting the source of manufacture, courts do not prevent competition to use the term'. Hence, it can be submitted that generic terms do not carry a specific indication as to the source of origin of the product.

³³ Bentley Lionel and Brad Sherman, *Intellectual Property Law* (4th edn, Oxford University Press 2014) 953

³⁴ *Ibid*

³⁵ [1877-78] 7 LR 834 (Ch. D.)

It was stated in *Worldwide Symposium on Geographical Indications*³⁶ that:

In the USA, the application (filed to register Ceylon Tea as a Geographical Indication by SLTB) has been suspended on the basis that Ceylon Tea name has become generic. In Japan & Kuwait, the applications have been rejected on the basis that Ceylon Tea name is non-distinctive due to extensive use. In other words, they claim that Ceylon Tea has become generic.

Thus, it can be submitted that the term Ceylon when related with tea carries a generic aspect. Consequently, Claimant cannot claim that Respondent's use of the word Ceylon in respect of its tea products is misleading.

D. RESPONDENT'S USE OF A MARK SO NEARLY RESEMBLING THE LION LOGO OF THE CLAIMANT AMOUNTS TO TRADEMARK INFRINGEMENT AND PASSING OFF

I. Non-infringement of the claimant's trademark by the respondent

(i) The rights of Claimant granted by the Malaysian Trademarks Act of 1976 are not violated by Respondent

Sri Lankan Tea Board is the registered trademark proprietor of Lion Logo in Malaysia under the **Malaysian Trademarks Act of 1976**³⁷ (hereinafter referred to as 'the Act'). The Claimant is a registered user of the Lion Logo in Malaysia under the permission of the Sri Lankan Tea Board. The rights conferred upon it by **Section 35 (1)** are as follows.

³⁶ Hasita De Alwis, "CEYLON TEA - SRI LANKA'S BEST KNOWN GEOGRAPHICAL INDICATION" (Worldwide Symposium on Geographical Indications, Bangkok, March 2013)

³⁷ *supra* note 27.

Subject to the provisions of this Act, the registration of a person as registered proprietor of a trade mark (other than a certification trade mark) in respect of any goods or services shall, if valid, give or be deemed to have been given to that person the exclusive right to the use of the trade mark in relation to those goods or services subject to any conditions, amendments, modifications or limitations entered in the Register.

Accordingly, the Intellectual Property Corporation of Malaysia imposed a condition to the effect that the Sri Lankan Tea Board does not acquire an exclusive right over the words ‘CEYLON TEA’ and ‘SYMBOL OF QUALITY’ contained in the Lion Logo of the Claimant.

(ii) Defences available for the Respondent against a claim of trademark infringement renders Respondent non-liable

Section 38 of the said Act defines infringement of a trademark as follows.

(1) A registered trade mark is infringed by a person who, not being the registered proprietor of the trade mark or registered user of the trade mark using by way of permitted use, uses a mark which is identical with it or so nearly resembling it as is likely to deceive or cause confusion in the course of trade in relation to goods or services in respect of which the trade mark is registered in such a manner as to render the use of the mark likely to be taken either—

(a) As being use as a trade mark;

(b) In a case in which the use is use upon the goods or in physical relation thereto or in an advertising circular, or other advertisement, issued to the public, as importing a reference to a person having the right either as registered proprietor or as registered user to use the trade mark or to goods with which the person is connected in the course of trade.

In *McCurry Restaurant (KL) Sdn Bhd v McDonald's Corporation*³⁸, the Malaysian Court of Appeal used the following distinguishing features to overturn the Malaysian High Court's decision to allow McDonald's the exclusive use of the prefix "Mc" by permitting a local Indian eatery, McCurry Restaurant to use "Mc" in its business signage or in the conduct of its business and to rule out possible confusion.

- Comparison of the marks
- The types of products
- Target market of the two businesses

Accordingly, the possibility of confusion of the Claimant's trademark and the Respondent's mark can be determined as follows.

The products that the Respondent distributes to the Malaysian market affixed with the mark in question are substantially similar to the Claimant's products marketed under the Lion Logo and there is no evidence of a difference in the targeted markets and distribution channels of the two businesses. But the law of passing off is not designed to protect a trader against others selling the same goods or copied goods (Laddie J in *Irvine v Talksport*³⁹)

³⁸[2009] 3 MLJ 774 (Malaysian Court of Appeal) (hereinafter the McCurry case)

³⁹ (2002) FSR 943 943 (CA) (Laddie J)

In the comparison of trademarks, Lord Denning in *Parker-Knoll v Knoll International*⁴⁰ has stated that, ‘the offending mark must “so nearly resemble”, the registered mark as to be “likely” to deceive and cause confusion’ and Narayanan in ‘*Law of Trade Marks and Passing Off*⁴¹’, stated that, ‘for deceptive similarity it is not sufficient if there is some sort of resemblance the resemblance must be such as to be likely to deceive or cause confusion’. The pictorial mark of the lion in Respondent’s mark bears obvious visual distinctions from the heraldic lion insignia in the Claimant’s trademark and that the phrase ‘SYMBOL OF QUALITY’ for which the Claimant has no exclusive right granted under Malaysian Law is also presented in a different style on the Respondent’s mark. Further, the Respondent’s mark contains an additional numerical symbol ‘1972’ which distinguishes it from the Claimant’s trademark.

It was indicated in *Gerolsteiner Brunnen GmbH & Co v Putsch GmbH*⁴² that defence on trade mark infringement might be available even though there was some limited evidence of confusion and that a certain amount of confusion might need to be tolerated with regard to the size of the economies.

Hence, it is submitted that the Respondent’s mark is not ‘identical’ with the Claimant’s trademark or ‘so nearly resembling it as is likely to deceive or cause confusion in the course of trade’ and that its affixation on the Respondent’s products does not amount to trademark infringement as per **Section 38** of the Act.

⁴⁰ [1962] 3 RPC 265 (HL) (Lord Denning)

⁴¹ (7th edn, Eastern Law House Private Ltd 2004) 318

⁴² *supra* note 24 , p. 691

II. Passing-off

In *Reckitt & Colman Ltd v Borden Inc*⁴³ also known as the *Jif Lemon case*, Lord Oliver has stated three elements that a Claimant must show in order to make a case of passing off:

1. A goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public in association with the identifying ‘get-up’ under which his particular goods or services are offered to the public, such that the ‘get-up’ is recognized by the public as distinctive specialty of his goods or services.
2. A misrepresentation by the defendant to the public (mental or not) leading or likely to lead the public to believe that the goods or services offered by him are the goods or services of the claimant.
3. An actual damage suffered, or in a *quia timet* action, a likelihood of suffering damage by reason of the erroneous belief engendered by the defendant’s misrepresentation that the source of the defendant’s goods or services is the same as the source of those offered by the claimant.

(i) *A goodwill or reputation attached to the goods supplied by the claimant*

According to W.R. Cornish, D. Llewellyn and T. Aplin, in ‘*Intellectual Property*⁴⁴’, ‘In the normal case of passing off, the claimant has to prove a reputation sufficient for members of the public to be misled by the defendant’s conduct into thinking that they are securing the goods of the claimant.’ Lord Macnaghten in *I.R.C v Muller*⁴⁵ has defined goodwill as ‘the benefit and advantage of the good name, reputation and connection of a business’ and as the ‘attractive force which brings in custom’.

⁴³ [1990] 1 All ER 873 (HL)

⁴⁴ (8th edn, Sweet & Maxwell Ltd 2013) 654

⁴⁵ [1901] AC 217 (HL) (Lord Macnaghten)

In *Star Industrial Co. Ltd v Yap Kwee Kor*⁴⁶, Lord Diplock in delivering his judgment has stated that:

A passing-off action is a remedy for the invasion of a right of property not in the mark, name or get-up improperly used, but in the business or goodwill likely injured by the misrepresentation made by passing off one person's goods as the goods of another. Goodwill, as the subject of propriety rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached. It is local in character and divisible.

Hence, a part of the Claimant's goodwill in Malaysian market is also attached to the Respondent's business since the products of CTC CEYLON were distributed in Malaysia by the Respondent and it was stated on the labelling on the Claimant's goods that the Respondent is their distributor in Malaysia. Thus, the reputation and attractive force which it gained in Malaysia is not therefore independent from the business expertise of the Respondent. Therefore it is submitted that Claimant's goodwill in Malaysia was established in connection with the business of the Respondent.

(ii) Alleged misrepresentation by the Respondent leading the public to believe that his products are the products of the Claimant

The customer will not normally have the opportunity of seeing the two marks side by side and of comparing their visual appearances. *Aristoc v Rysta*⁴⁷ therefore holds that 'it is necessary to allow for imperfect recollection by a person of ordinary memory'. Hence, it is

⁴⁶ [1975] FSR 256 (HL) (Lord Diplock)

⁴⁷ [1945] AC 68 (HL)

submitted that the respondent's mark does not amount to misrepresentation of the quality and place of origin considering that the opportunity of making such side by side comparison is less.

In cases where the claimant's reputation is alleged to lie in a word or other symbol that describes some quality of the goods or services, the defendant's liability can be avoided by relatively minor differentiation. In such cases, whether the defendant's act amounts to passing-off depends on proof of actual confusion. In *Phones 4U Ltd v Phone4U.co.uk Internet Ltd*⁴⁸, Jacob L.J held that the question in such cases is, 'whether what is said to be deception rather than mere confusion is really likely to be damaging to the claimant's goodwill or divert trade from him. I emphasize the word "really"'. Further, the courts are prepared to take account of the surveys, and Whitford J has even devised a set of rules in *Imperial v. Philip Morris*⁴⁹ to carry out such surveys in a fairly manner. But in the case at hand, the Claimant has not conducted any market survey to show whether the Respondent's mark is causing confusion among the public in Malaysia.

The Respondent did not present its product as an imitation or replica of the product of the Claimant⁵⁰ though both companies are engaged in the same trade within the same territory and hence has not obtained or attempted to obtain an unfair advantage by the affixation of its mark to its products. It was held in *BMW v Deenik*⁵¹ case that if there is no risk that the public will be led to believe that there is a commercial connection between the trader and the trade mark proprietor, the mere fact that the trader derived an advantage from using the mark would not itself mean that the use was dishonest.

⁴⁸ [2007] RPC 83 (CA) (Jacob LJ)

⁴⁹ [1984] RPC 293 (CA)

⁵⁰ *Gillette Co. V. L.A-Laboratories Ltd.* (2005) ECR 1-2337 (CJEU)

⁵¹ I Case C-63/97 ECR 905 (CJEU)

Therefore, it is submitted that the Respondent's affixation of its mark on a product competing with the Claimant's does not constitute misrepresentation sufficient to result in passing-off.

(iii) A damage suffered by the Respondent's alleged misrepresentation

'The basic economic rule is that competition is not only lawful but a mainspring of the economy. It is not for judges to step and legislate into existence new categories of intellectual property rights' (*L'Oreal v Bellure*⁵²)

Goddard LJ noted in *Daper v Trist and Tristbestos Brake Linings Ltd*⁵³ that law assumes 'if the goodwill of a man's business has been interfered with by passing-off of goods, damage results there from'. There, the Claimant was able to succeed on the basis that there was a real possibility of damage. In *Stringfellow v McCain Foods (GB) Ltd*⁵⁴, an action for passing-off failed on the basis that the misrepresentation was not in the name and secondly, no damage seemed to have materialized.

Here, the above two claims under passing-off point out to the fact that Respondent's usage of his mark on his products does not cause a damage to the goodwill or reputation of the Claimant and that it does not amount to misrepresentation of the Respondent's goods as being connected with the Claimant's business.

The Respondent has used its mark affixed to the products as an, honest practice in industrial and commercial matters and give the impression that there is a, 'commercial connection with the Claimant'⁵⁵, but has only used its own logo on the products manufactured and traded by it. Therefore, it is submitted that there is neither damage nor a likelihood of damage being caused to the Claimant's business by the respondent. The mark affixed to its product by the

⁵² [2008] 1 ETMR (CA)

⁵³ [1939] 56 RPC 429 (CA)

⁵⁴ [1984] (101) 24 RPC 501 (CA)

⁵⁵ *supra* note 51.

Respondent is Respondent's mark and was not intended to be used fraudulently to convey a connection with the product of the Claimant.

PRAYER FOR RELIEF

The Respondent requests the arbitral tribunal to:

- a) Declare that the Respondent is allowed to continue the sale of its products using the name “SAILOR’S CEYLON”, affixed with its mark.
- b) Declare that the Respondent can refer to tea grown and manufactured in China with seeds sourced from Sri Lanka as SAILOR’S CEYLON’s tea.
- c) Declare that the Respondent is not precluded from using the term “CEYLON” as a part of its brand name.
- d) Declare that the Respondent is not liable to pay damages to the Claimant under any claim.