1026 - R

THE 11TH LAWASIA INTERNATIONAL MOOT COMPETITION

IN THE KUALA LUMPUR REGIONAL CENTRE FOR ARBITRATION

2016

BETWEEN

CHELSEA TEA COMPANY (CTC)

(CLAIMANT)

AND

ALMOND TEA COMPANY (ATC)

(RESPONDENT)

MEMORIAL FOR THE RESPONDENT

TABLE OF CONTENTS

STATEMENT OF JURISDICTION

The parties, Chelsea Tea Company (the ‘Claimant’) and Almond Tea Company (the ‘Respondent’) hereby submit this dispute to arbitration in accordance with the Kuala Lumpur Regional Centre for Arbitration (‘**i-Arbitration Rules**’) through Clause 22.1 of the Distribution Agreement (the ‘Agreement’) entered by both parties on 20th October 2008. Any award made by the tribunal will be final and binding pursuant to Rule 12(7) of KLRCA i-Arbitration Rules.

INDEX OF AUTHORITIES

INTERNATIONAL CONVENTION AND REGULATIONS

LEGISLATIONS

<u>**CASES**</u>

OTHER DOCUMENTS

Central Bank of Sri Lanka. (2014). *Annual Report 2014* (Data File). Retrieved from {http://www.cbsl.gov.lk/pics_n_docs/10_pub/_docs/efr/annual_report/AR2014/English/content.htm} 16

Guidelines on Anti-Competitive Agreements by MMC [2012] 8

Hasita, D. A. (2013, March). Ceylon Tea - Sri Lanka's Best Known Geographical Indication. Paper presented at the Worldwide Symposium on Georaphical Indications, Bangkok, Thailand. 11

Peter Tzeng, (2016) "Favoring Validity: The Hidden Choice of Law for Arbitration Agreements" 4

QUESTIONS PRESENTED

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.

IV. Whether or not ATC's use of the ATC's Mark amounts to trademark infringement and/or passing off.

STATEMENT OF FACTS

The Background

All tea manufactured in Sri Lanka is monitored by Sri Lankan Tea Board ('SLTB') a statutory body established under Sri Lankan Act of Parliament. SLTB is the registered owner of the famous Lion Logo,[1] which is affixed on all certified CEYLON TEA products.

The Claimant, Chelsea Tea Company ('CTC') is a company which manufactures Ceylon Tea under the brand 'CTC Ceylon' based in Sri Lanka since 1965. Marvin Ranatunga is the Chairman of the Board of Directors of CTC. The Respondent, Almond Tea Company is a Singaporean company managed by Phillip Chan which involves with the production and distribution of tea products in Malaysia and Singapore.

The Agreement

Ranatunga is interested to invest in Malaysian tea market, and is a registered proprietor of the Lion Logo[2] in Malaysia. During his trip in 2008 to Cameron Highlands, Malaysia,[3] he intended to have Philip Chan as CTC's distributor due to his vast knowledge on Malaysian market. Philip Chan rejected the offer as the distributorship agreement requires ATC to cease all of its sales on tea products.

[1] Moot Problem, ¶3.
[2] **Ibid.**
[3] Moot problem, ¶8.

A fungal disease had infected ATC's source of tea a month after Philip Chan rejected Ranatunga's offer to become CTC's distributor. A second offer was made by Ranatunga, which resulted in the entry of the Distribution Agreement ('the Agreement') by both parties on 20th October 2008 with a nominal monetary consideration. The Agreement states amongst others as follows:

"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."

The Agreement also prohibits the Respondent from using any similar marks as the Lion Logo. The aforementioned terms of the Agreement are disputed between the parties.

Chelsea Tea Company

The Claimant, CTC, is one of Ceylon Tea manufacturers originated from Sri Lanka and its tea products is from the Kandy District of Sri Lanka. CTC CEYLON are mainly marketed in Europe. After the distribution of CTC CEYLON by ATC in Malaysia, CTC garnered a strong consumer base in the country, and has then established its Southeast Asia headquarters in Kuala Lumpur, Malaysia.

Almond Tea Company

The Respondent, ATC, manufactures black tea products and its tea is cultivated in Malaysia and China. The tea from the brand SAILOR'S CEYLON, is manufactured in Fujian Province in China, using seeds originated from Sri Lanka. ATC's main market is Southeast Asia, but their products are also marketed to other Asian countries, Germany and United Kingdom. Prior to the conclusion of the Distribution Agreement between the parties, ATC was involved with the manufacture and distribution of tea products in Malaysia and Singapore.

The origin of the dispute

It was known by CTC in March 2015[4] that ATC manufactures tea in China under a different brand named 'SAILOR'S CEYLON'. The product is also affixed with a mark, with lion as its subject matter. CTC contended that ATC had breached the Agreement between them and demands for ATC to stop the usage of the word 'CEYLON' on their products. ATC denied all liability and contended that they have legal rights to use the word 'CEYLON' and use ATC's Mark on their products.

The arbitration proceeding

As there is a failure to settle the dispute, the parties submit the matter before the arbitration panel pursuant to Clause 22.1 of the Agreement which states that the arbitration will be governed by KLRCA-i Arbitration Rules and will take place in Colombo, Sri Lanka.

[4] Moot Problem, ¶14.

SUMMARY OF PLEADINGS

I. The applicable law that should be applied to the merits of the case is Malaysian law, alongside the law of China.

II. The Respondent did not breach the Distribution Agreement as it was an agreement of restraint of trade and is against the spirit of competition law

III. The use of the word 'CEYLON' by the Respondent is not misleading as the word is generic and cease to be a geographical indication

IV. There is no trademark infringement or passing off committed by the Respondent as the trademarks are not similar and will not cause confusion

PLEADINGS

I. THE APPLICABLE LAW THAT SHOULD BE APPLIED IS THE LAW OF MALAYSIA

A. The *lex arbitri* is Kuala Lumpur, Malaysia

The parties have agreed under clause 22.1 of the Distribution Agreement for the arbitration to be governed by KLRCA i-Arbitration Rules (‘Rules’). According to Rule 6, the *lex arbitri* will be Kuala Lumpur in the absence of determination of the seat of arbitration. Further, Article 35(1) of the Rules provides that the tribunal have power to determine the appropriate choice of law. Clause 3 of the same provision states that the tribunal may decide after considering the terms of the contract.

The word ‘appropriate’ in Article 35 of the Rules is adopted from the 2010 UNCITRAL Arbitration Rules, and Meyer in his book considers the word to have a broad definition and further illustrate that a law may be applicable although it is not closely connected to the dispute.

In ***Sulamerica***, the court laid down three steps in determining the applicable law governing the agreement between the parties.[5] The following shall be determined in sequence (i) the express choice of the parties, (ii) the implied choice in the absence of an express choice, and (iii) where the parties had not made any choice, the law in which the arbitration agreement had its closest and most real connection with. As there was no express choice made by the parties in our present dispute, the determination must be made through the implied choice, and if such method could not determine the law, the closest connection rule will have to be applied.

Therefore, the implied choice by the parties must be determined before resorting to the close connection rule to determine the applicable law.

B. Malaysian law shall be the applicable law

Malaysian law shall be the applicable law to be used in determining the merits of the case as it is (1) the law where the contract has been entered; (2) the place where the intellectual property protection is sought; and (3) the tort is committed in Malaysia.

[5] Sulamerica CIA Nacional de Seguros SA and others v Enesa Engenharia SA and others [2012] EWCA Civ 638; [2012] 1 Lloyd's Rep 671 at ¶25.

1. The Distribution Agreement between the parties was entered and executed in Malaysia

It is a principle that the law to be applied is the law of the place where the contract has been performed.[6] The distribution agreement was signed by the parties in October 2008,[7] in Malaysia.[8] The transactions under the agreement were made in Ringgit Malaysia (RM)[9] and the agreement are confined to the territory of Malaysia.[10] It is clear that the agreement is executed in Malaysia as the Respondent distributed the Claimant's goods in Malaysia vide the Distribution Agreement.[11]

2. The protection for Claimant's trade mark is sought in Malaysia

The principle of *lex loci protectionis* requires the law where the protection for an intellectual property is sought to be applied. This principle has been applied in conventions,[12] and cases due to the territorial nature of the intellectual property claims.[13]

---

[6] YK Fung Securities Sdn Bhd v James Cape (Far East) Ltd [1997] 4 CLJ 300; Koh Kim Chai v Asia Commercial Banking Corporation Limited [1981] 1 MLJ 196.
[7] Appendix A of Moot Problem.
[8] Question 12 of Clarifications.
[9] Clause 1.1.3 of Moot Problem (Appendix A).
[10] Clause 1.1.5 of Moot Problem (Appendix A).
[11] Recitals of Moot Problem (Appendix A).
[12] Article 8(1) of Rome Regulation; Article 5(2) of Berne Convention.
[13] Lim Yew Sing v Hummel International Sports & Leisure A/S [1996] 3 MLJ 7.

3. The tort of passing off took place in Malaysia

Malaysian law shall be the applicable law to be used in tortious matter as it is a principle that the law where the infringement[14] took place is the essence of the claim.[15]

According to Peter,[16] in order for conflict of law to exist, it must be shown that the law of the seat of arbitration is not the law of the contract. In our case, the seat of arbitration is Kuala Lumpur, Malaysia, and the law governing the contract is Malaysian law. Here, by no doubt the applicable law is Malaysian law.

C. The law of China should be considered to be the applicable law to the merits of the case alongside Malaysian law

The law of China can be used as the law to govern substantive matters to the dispute as the tort of passing off is originated from China. The place where the act is carried out is the essence is claim for passing off,[17] hence Chinese law can be the considered in deciding the applicable law to be applied to the merits of this case.

[14] Distillers Co (Biochemicals) Ltd v Thompson [1971] AC 548.
[15] Deflepp Music v Stuart Brown [1986] RPC 273.
[16] Peter Tzeng, (2016) "Favoring Validity: The Hidden Choice of Law for Arbitration Agreements".
[17] **Ibid.**

The Malaysian Court in the case of Thai Lao Lignite[18] has adopted the strict rule in the case of First Link decided by the Singaporean Court. The parties in the Thai Lao case has entered into contract under Laotian law and New York law, but any dispute are to be resolved to arbitration seated in Malaysia. Here, the court ruled that the parties has chosen Malaysian law to be the applicable law in their dispute. In our case, as the parties has agreed that the arbitration is governed by KLRCA i-Arbitration Rules, therefore, it is safe to conclude that the parties has also agreed to apply Malaysian law in their dispute.

[18] Government of the Lao People's Democratic Republic v. Thai-Lao Lignite Co. Ltd [2010] No. 24NCC(ARB)-7

II. THERE IS NO BREACH OF DISTRIBUTION AGREEMENT BY THE RESPONDENT

The Respondent did not breach any clause in the Distribution Agreement as Clause 4.2 of the Distribution Agreement is (A) a clause on restraint of trade, (B) the clause is against the spirit of competition law and alternatively, (C) the marks used by both parties are not similar.

A. Clause 4.2 of the Agreement is a form of restraint of trade

There is no breach committed by the Respondent in regards to clause 4.2 as the clause itself, is prima facie void under (1) Section 28 of Malaysian Contracts Act 1950 and (2) principle of reasonableness under the common law

1. Section 28 of Malaysian Contracts Act 1950

Malaysia has adopted a restrictive approach[19] on restraint of trade, and the Distribution Agreement does not fall within the exception provided. Exception 1 does not apply as there is no sale of goodwill by the Claimant to the Respondent. The Agreement concluded between the parties only concerns the distribution of the Claimant's goods. Exceptions 2 and 3 can only have effect on partnership

[19] Polygram Records Sdn Bhd v The Search & Anor [1994] 3 MLJ 127.

agreements, and clause 15.3 of the Distribution Agreement[20] has explicitly provides that the agreement does not concern partnership agreement.

Since Section 28 of Malaysian Contracts Act is exhaustive,[21] failing to fall under the exceptions render the clause void.

2. The clause is unreasonable

There are two requirements for a clause to be reasonable[22] – that is, it must be reasonable to the interest of the parties and reasonable to the public. Clause 4.2 is unreasonable to the interest of the Respondent as it disallows the Respondent from manufacturing any tea products that will compete with the Claimant, even though the Respondent has been a tea manufacturer even before the Agreement was concluded[23] between the parties. Since the source of the Respondent's tea products is from Malaysia and China, Clause 4.2 will deprive the Respondent from the source[24] of its tea products itself. The clause will also allow the Claimant to monopolize the business in Malaysia and affect the interest of the public.

[20] Clause 15.3 of Moot Problem (Appendix A).
[21] Vision Cast Sdn Bhd & Anor v Dynacast (Melaka) Sdn Bhd & Ors [2015] 1 MLJ 424; Nagadevan a/l Mahalingam v Millineum Medicare Services [2011] 4 MLJ 739.
[22] Thomas Cowan & Co Ltd v Orme [1961] 1 MLJ 41.
[23] Moot Problem, ¶7.
[24] Question 2 of Additional Clarifications.

B. The clause is against the spirit of competition law

The parties had entered into an agreement which is restrictive and against Section 4 of Competition Act 2010 which prohibits horizontal or vertical agreement that significantly restricts competition in any goods and services.[25] The extent of restriction will be determined by the Malaysian Competition Commission (MCC) but the guideline provided by the council take into consideration the limitation of in and out market and also the territory concerned in the agreement.[26]

The Claimant had also abused its dominant position against the Respondent by imposing unfair trading condition through the incorporation of clause 4.2. This is against[27] the provisions of Malaysia Competition Act 2010. The claimant, as the sole company[28] that distributes Ceylon Tea in Malaysia will obtain an advantage through the restriction under clause 4.2.

[25] Section 4 of Malaysia Competition Act 2010.
[26] Guidelines on Anti-Competitive Agreements by MMC [2012] at 14-16.
[27] Section 10 of Malaysia Competition Act 2010.
[28] Question 19 of Clarifications.

C. The Respondent did not breach clause 9.3 of the Distribution Agreement as there were no similarities between the Lion Logo and ATC's mark

The Lion Logo[29] and ATC's Mark[30] does not look identical, as there are distinct differences between both marks[31] which can be seen from the shape, the subject matter and other elements of the mark. Firstly, ATC's Mark is a vertical shaped rectangular whereas the Lion Logo is horizontal. ATC's Mark has a broken outer line, which is separated by the year 1972, whereas the Lion Logo has a complete unbroken line. The Lion Logo uses a heraldic lion which is vastly different from the lion used by the Respondent. The word CEYLON TEA is visible in the Claimant's mark, and such words are absent from ATC's product.

Due to these reasons, there are noticeable differences between both mark and it will not amount to a breach of Clause 9.3 of the Distribution Agreement.

[29] Moot Problem, ¶3.
[30] Moot Problem, ¶14.
[31] Moot Problem, ¶3, ¶14.

III. ATC'S USE OF THE WORD 'CEYLON' IN RESPECT OF ITS TEA PRODUCTS IS NOT MISLEADING.

This is so because (A) it failed the comparison test and (B) the word Ceylon is generic.

A. ATC's use of the word 'CEYLON' is not misleading because it failed the comparison test.

'CEYLON TEA' is a protected Geographical Indication, registered in Sri Lanka and gained protection in Malaysia by virtue of Section 3 of the Geographical Indications Act Malaysia 2000. However, in the case of ***Maestro Swiss***,[32] the court held that to assess whether or not the use of the word 'Swiss' in terms of the Defendant's chocolate product, the principle of comparison needs to be applied, in which the marks has to be compared in their entireties set against circumstances of each mark's respective uses. In that case, the court held that defendant's use of the 'Swiss' with color of red and white, could import a reference that their products are made in Switzerland while in fact they were made in Malaysia. The court held that the Defendant's has misled the public into thinking their products originated from Switzerland.

[32] Chocosuisse Union des Fabricants Suisses & Ors v Maestro Swiss Chocolate Sdn Bhd [2013] 6 CLJ 53.

However, the Respondent's use of the word 'CEYLON' has not in any way import reference that their products come from Sri Lanka. In addition, all Respondent's products contain a line stating from which country they're from.[33]

Therefore, the Respondent's use of the word 'Ceylon' in terms of their tea products is not misleading.

B. The word 'CEYLON' is generic.

United States of America, Kuwait and Japan have rejected the application made by the Sri Lankan Tea Board to register 'CEYLON TEA' as protected Geographical Indication in their jurisdiction because they claimed the term 'CEYLON TEA' has become generic.[34]

Hence, once a term has become generic, it is no longer protected under the Geographical Indication Act[35].

---

[33] Question 6 of the Additional Clarification.

[34] Hasita, D. A. (2013, March). Ceylon Tea - Sri Lanka's Best Known Geographical Indication. Paper presented at the Worldwide Symposium on Georaphical Indications, Bangkok, Thailand, at 14.

[35] Section 4(a) of Geographical Indications Act of 2000 (Act 602). **[Geographical Indication Act].**

IV. THE RESPONDENT'S USE OF THE ATC'S MARK DOES NOT AMOUNT TO (A) TRADEMARK INFRINGEMENT AND (B) PASSING OFF.

A. The Respondent's use of the ATC's mark does not amount to trademark infringement because (1) ATC's mark does not resemble the Lion Logo and (2) the Respondent never import any reference to CTC's product or Ceylon Tea.

1. ATC's mark does not resemble the Lion Logo as is to likely to cause confusion.

One of the elements that needs to be fulfilled in order to prove trademark infringement is "*the Defendant used a mark identical with or so nearly resembling the plaintiff's registered trade mark as is likely to deceive or cause confusion.*"[36]

To assess whether or not a mark resembles another, the dominant features of the two marks can be taken into consideration.[37] In this case, the Claimant's most dominant features in their mark are a heraldic lion wielding a sword and has dots on its body. The said features are absent in the Respondent's mark. The Respondent's mark is using an African lion

[36] Leo Pharmaceutical Products Ltd A/S (Lovens kemiske Fabrik Produktionsaktieselskab) v Kotra Pharma (M) Sdn Bhd [2009] MLJ 493; Section 38 of Trade Marks Act of 1976.
[37] Tan Kim Hock Tong Seng Food Industry Sdn Bhd v Tan Kim Hock Product Centre Sdn Bhd & Siah Siu Eng [2016] 7 MLJ 561.

and there is no sword wielded by the lion. Hence, it cannot be said that the Respondent's mark resembles the Claimant's mark.

To assess the likelihood of confusions, these factors can be taken into consideration :

i. The idea of the mark;
ii. Elements of the mark taken as a whole;
iii. Imperfect recollection test;
iv. Ear as well as eye; and
v. Variations which might be well supposed to be made by owners.[38]

The ideas of the Claimant's mark and the Respondent's mark are clearly different. The Lion used by the Claimant is a mythical heraldic lion that can be found in the Sri Lankan national flag. The lion that the Respondent uses however is an African lion. Hence, it can be concluded that the use of ATC's mark by the Respondent will not likely to cause confusion as they both carry different ideas to their mark.

2. ATS's mark does not import any reference to CTC's product.

Another element that needs to be fulfilled to prove trademark infringement is that "*the defendant used the offending mark in such a manner as to render the use likely to be taken either as being used as a trade mark or as*

[38] Hui Kuan Hoe v Societes Des Produits Nestle S.A [2012] MLJU 411.

importing a reference to the registered proprietor or the registered user or to their goods or services."[39]

In this case, the Respondent never claims their tea to be Ceylon Tea[40]. Furthermore, there are descriptions embedded on Respondent's every product that they '*are packed to the highest standard by Almond Tea Company…*'[41]. Therefore, it cannot be concluded that the Respondent has imported any reference that their product is the Claimant's product.

[39] **Supra** note 36.
[40] Question 4 of Additional Clarification.
[41] Question 6 of Additional Clarification.

B. The Respondent's use of ATC's mark does not amount to passing off because (a) there is no misrepresentation by the Respondent to pass off his business as the Claimant's and (b) there is no prove of damage suffered by the Claimant as a result of the Respondent's doing.

1. The action of the Respondent is not likely to cause misrepresentation.

In the case of ***Meidi M v Meidi-Ya***, the court has held that in order to determine if there will be a misrepresentation, *"was whether there was a real risk that the defendant's representation would have deceived a substantial number of persons of the relevant section of the public into believing either that the goods or services of the defendant were those of the plaintiff or that there was a business connection between the plaintiff and the defendant in relation to the goods or services provided by them'*[42]

Therefore, there is no misrepresentation caused by the Respondent because firstly, the ATC's mark is different from Lion Logo. Secondly, there is description found in every ATC's products that states where they originated. Thirdly, ATC never declared their tea products to Ceylon Tea. Hence, second element of passing off is not established.

[42] Meidi-Ya Co Ltd Japan & Anor v Meidi (M) Sdn Bhd [2009] 2 CLJ 15 at ¶74.

2. No damage suffered by the Claimant as a result of an action by the Respondent.

Even though the Claimant has suffered drop in profit in 2013 and 2014, nowhere in the statement of facts show that the drop is a result of and/or linked to the Respondent's conduct.

According to Annual Report of Sri Lankan Bank,[43] it was reported that there is a reduction in tea production in Sri Lanka in 2014. This could contribute to the drop of profit of the Claimant.

[43] Central Bank of Sri Lanka. (2014), Annual Report 2014 (Data File). Retrieved from http://www.cbsl.gov.lk/pics_n_docs/10_pub/_docs/efr/annual_report/AR2014/English/content.htm.

PRAYERS FOR RELIEF

The Respondent plead for this tribunal to adjudge and declare that:

1. The applicable law to be applied to the merits of the dispute is Malaysian law;
2. The Respondent did not breach the distribution agreement as Clause 4.2 is a clause on restraint of trade and therefore, void;
3. The use of the word ‘CEYLON’ by the Respondent is not misleading; and
4. The Respondent did not commit any trademark infringement under Malaysia Trade Marks Act 1976 or passing off through the use of ATC’s mark on their products.

Respectfully submitted,

ALMOND TEA COMPANY, THE RESPONDENT

15th JULY 2016