

Definitive Decision Delivered in DGEM Dispute

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Here in Malaysia, we practice the “first-to-use” principle, meaning the first user of a trademark is generally considered the true owner of the mark. Therefore owners of trademarks who have failed to register their trademarks, or applied to register them at a later date, would still possess limited unregistered rights over their trademarks in Malaysia.

This principle was however seemingly overlooked in the recent case of **Degem Berhad & Ors v De Gem Goldsmith & Jewellery Sdn Bhd & Ors**.

The Plaintiffs, *Degem Berhad* and *Diamond & Platinum Sdn Bhd*, took a passing off action against four Defendants, namely, *De Gem Goldsmith & Jewellery Sdn Bhd*, *De Gem Goldsmith & Jewellery (Johor) Sdn Bhd*, *De Gem Jewels Sdn Bhd* and *De Gem Diamond & Platinum Sdn Bhd*. The Plaintiffs claimed that the Defendants were trying to pass off the Plaintiff’s trademarks, “De Gem” and “Diamond & Platinum” as the Defendants’ own.

Historically, the Defendants incorporated their first company, *De Gem Goldsmith & Jewellery Sdn Bhd*, in April 1985. They had also filed for registration of their trademark “De Gem” for “diamonds, gold and jewellery” in 2002. The Defendants incorporated their 4th company, *De Gem Diamond & Platinum Sdn Bhd* in 2005.

On the other hand, the Plaintiffs were incorporated as “Poh Yik” in 1981, and underwent several merges and changes of names before settling on *DEGEM Berhad* in 1997. In 1999, they incorporated *Diamond & Platinum Sdn Bhd* as a subsidiary. Subsequently, they filed to register the trademark “DeGem” in 2003 and obtained registration for the trademark “Diamond & Platinum” in 2008. Both parties had thus, co-existed until August 2009, when the Plaintiffs brought this suit against the Defendants and received a counter-claim in return.

While it would seem that the Defendants were clearly the first party to use and file the mark “De Gem”, the learned judicial commissioner decided against them based on these three elements of passing off:

- i. **GOODWILL:** The Defendants argued that the 1st Plaintiff was not the proper party to bring this action since they did not have goodwill in the name “DeGem”, stating that the 1st Plaintiff was merely a holding investment company whilst the trade name “DeGem” was used by the 1st Plaintiff’s three subsidiaries to run their jewellery businesses, not the 1st Plaintiff.

The commissioner held that the 1st Plaintiff owned the goodwill and reputation attached to the business and the “DeGem” trademark as they operated their jewellery business under the “DeGem” name through its subsidiaries. The manner in which the advertisements and business was conducted made “DeGem” distinctive of the 1st Plaintiff. Thus, the commissioner held that the 1st Plaintiff had accrued goodwill in the name “DeGem”.

- ii. **MISREPRESENTATION:** The 1st Plaintiff contended that the 1st to 3rd Defendants had only begun using trade names comprising solely of “De Gem” in 2005/2006, after the Plaintiffs had acquired goodwill nationwide in the “DeGem” trademark. It was claimed that the Defendants’ action of using only “De Gem” instead of their corporate name in 2005/2006, was done intentionally and fraudulently, amounting to misrepresentation.

The commissioner held that the Plaintiffs need not prove actual confusion, as a ‘mere proof of possibility of association would be sufficient’. The commissioner subsequently found that the Defendants were intentionally and dishonestly riding on the 1st Plaintiff’s nationwide goodwill by

adopting changes in their manner of trade, advertisement, and use of the mark “De Gem” to associate themselves with the 1st Plaintiff.

- iii. **DAMAGES:** The commissioner held that the Plaintiffs need not prove that they had suffered actual damage, and needed only to show that the probability of suffering damages existed, with regard to the goodwill in their business. The commissioner concluded that there was a likelihood of damage and thereby restrained the Defendant from using the name and work identical or confusingly similar to “DeGem” including “DE GEM” and “De GEM”, outside Johor.

Similarly, the commissioner found that the 2nd Plaintiff has acquired goodwill to the Corporate Name, Trade Name and Trade Mark “Diamond & Platinum”, and the 4th Defendant had adopted their corporate name to be similar to the 2nd Plaintiff’s with the intention to cause misrepresentation. Hence, the 2nd Plaintiff is likely to suffer damages.

On the whole, the commissioner concluded that not only did the Defendants fail to establish goodwill on a nationwide basis; they also failed to establish that the Corporate Name, Trade Name, and Trade Mark “DE GEM”/ “DeGEM”/ “De Gem” is distinctive of them nationwide. In light of this, the commissioner dismissed the Defendants’ counterclaim on grounds that the “1st Plaintiff, a public listed company with multimillion dollar business has acquired extensive goodwill and any association with the 1st Plaintiff can only benefit [the Defendants], not cause damage [to them]”.

Author’s contention:

At first glance, it seems as if the learned commissioner ignored the “first-to-use” principle in arriving at this decision. However, upon further perusal, the commissioner had in fact rightly made her decision as the point in contention and main cause of this passing off action was whether the Defendants purposefully and fraudulently tried to pass themselves as if they emanated or vice versa from the Plaintiffs, from 2005/2006 onwards. This was well-proven based on the evidences adduced in addition to the inability for the Defendants to deny or disprove said evidences.

At the end of the day, the Defendants pulled out their trump card and sought to dismiss the 1st Plaintiff’s case by arguing that the 1st Plaintiff was aware of the presence of the Defendants in 2001/2002 but stood idle to allow the Defendants to build their goodwill and only commenced this action in 2009. The commissioner considered that there was no merit in the Defendants’ contention as the 1st Plaintiff’s cause of action was related to the advertisements which commenced in 2005/2006.

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