

IN THE COURT OF APPEAL OF MALAYSIA

(APPELLATE JURISDICTION)

CIVIL APPEAL NO: W-02(1PCV)(W)-1798-09/2016

BETWEEN

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|--|-----------------------|
| 1. GEORGE PATHMANATHAN A/L
MICHAEL GANDHI NATHAN
(NO. K/P:610925-10-6543) | ... APPELLANTS |
| 2. PORTCULLIS HOLDINGS (MALAYSIA) SDN.BHD.
(NO. SYARIKAT:321463-K) | |
| 3. PORTCULLIS TRUST (MALAYSIA) BERHAD
(N0. SYARIKAT:211538-H) | |
| 4. PORTCULLIS TRUSTNET (MALAYSIA) SDN. BHD.
(N0. SYARIKAT:441223-P) | |
| 5. PORTCULLIS NOMINEES (MALAYSIA) SDN. BHD.
(N0. SYARIKAT:211539-T) | |
| 6. PORTCULLIS TRUSTNET (LABUAN) LIMITED
(N0. SYARIKAT:LLO3699) | |
| 7. GURKER SDN. BHD.
(N0. SYARIKAT:399363-M) | |
| 8. SHERPER SDN. BHD.
(N0. SYARIKAT:441531-P) | |
| 9. PORTCULLIS FUND ADMINISTRATION (LABUAN) LTD
(N0. SYARIKAT:LL05781) | |
| 10. CORPDIRECT LTD
(N0. SYARIKAT:LL05112) | |
| 11. CORPSEC LTD
(N0. SYARIKAT:LL05118) | |
| 12. CORPSHARE LTD
(N0. SYARIKAT:LL05119) | |

AND

PORTCULLIS (SINGAPORE) PTE. LTD (NO.SYARIKAT:198900404M)	... RESPONDENT
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**(IN THE HIGH COURT OF MALAYA AT KUALA LUMPUR
IN THE STATE OF FEDERAL TERRITORY
CIVIL SUIT NO. 22IP-24-05/2015**

BETWEEN

**PORTCULLIS (SINGAPORE) PTE. LTD. ... PLAINTIFF
(NO.SYARIKAT:198900404M)**

AND

**1. GEORGE PATHMANATHAN A/L ... DEFENDANTS
MICHAEL GANDHI NATHAN
(NO. K/P:610925-10-6543)**

**2. PORTCULLIS HOLDINGS (MALAYSIA) SDN.BHD.
(NO. SYARIKAT:321463-K)**

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**12. CORPSHARE LTD
(N0. SYARIKAT:LL05119))**

CORAM:

HAMID SULTAN BIN ABU BACKER, JCA

MARY LIM THIAM SUAN, JCA

RHODZARIAH BINTI BUJANG, JCA

GROUND OF JUDGMENT

Introduction

(1) David Chong Kok Kong (“David”) and George Pathmanathan a/l Michael (“George”) were legal practitioners and former partners in a legal firm. David first established his legal firm, Messrs David Chong & Co. in Singapore, which later changed its name to David Chong Law Corporation. Subsequently, the legal practice was extended to Malaysia with the setting up of Messrs David Chong & Co in Kuala Lumpur, then Johore Baharu and finally Labuan in July 1993. That was when George came on board – first as a salaried partner in the Labuan branch and subsequently, the Singapore one. However the legal practice was not the only business of David. In 1987 he first incorporated a company called Portcullis Investment Pte.Ltd. in Singapore and then, another company called Portcullis Services Pte. Ltd, also in Singapore. The latter underwent a name change on 31/1/1989 to Portcullis (Singapore) Pte. Ltd [“Portcullis (Singapore)”]. Two years later in 1991, Portcullis Trust

(Malaysia) Sdn. Bhd (“Portcullis Trust”) and Portcullis Nominees (Malaysia) Sdn. Bhd. (“Portcullis Nominees”) were incorporated.

(2) Not long after George joined the Labuan branch, he became a shareholder of Portcullis Trust and then its Director. Portcullis Holdings (Malaysia) Sdn. Bhd (“Portcullis Holdings”) was incorporated shortly after that on 27/10/1994. The following day, George was appointed as a Director of Portcullis Nominees and subsequently he also became its shareholder. Following a restructuring in late 1997, Portcullis Holdings became the parent company for the Portcullis companies in Malaysia. The year 1997 also saw the incorporation of Portcullis Trustnet (Malaysia) Sdn. Bhd (“Portcullis Trustnet”) followed by the incorporation of Portcullis Trustnet (Labuan) Limited in 2003, and Portcullis Fund Administration (Labuan) Ltd in 2007. Apart from all the above named companies bearing the Portcullis’s name, 5 other companies which provided services related to Portcullis Trust and Portcullis Trustnet, respectively, were also established and they are:

- I. Gurker Sdn. Bhd.
- II. Sherper Sdn. Bhd.
- III. Corpdirect Ltd
- IV. Corpsec Ltd
- V. Corpshare Ltd

(3) Unless specific mention of their individual name is warranted, all the above mentioned companies incorporated in Malaysia shall hereinafter in this judgment be referred to as the Malaysian Portcullis Companies. These Malaysian Portcullis Companies were part of the Portcullis Group and just like Portcullis (Singapore) were owned by Portcullis International Limited which was a subsidiary of Portcullis Holdings International Limited. Portcullis Holdings International Limited in turn was wholly owned by First Finance Holdings Ltd which company was wholly owned by David. Therefore, ultimately, albeit indirectly, David exercised control over the whole Portcullis Group of companies.

(4) Besides being a partner in the Labuan branch of the legal firm, George was also entrusted with 50% shares in Portcullis Trust, Portcullis Trustnet and Portcullis Nominees as David's nominee. Malaysia and Singapore are by no means the only countries where the Portcullis Group operate from for it also has companies doing businesses in, amongst others, the British Virgin Islands, Cayman Islands, Hong Kong, New Zealand and Taiwan.

Shareholding Agreement

(5) In October 1997, an agreement was signed between Portcullis International and George whereby George was given 25% shares in Portcullis Holdings whilst David, through Portcullis International retained the other 75%. The gift was conditional upon George remaining as a partner in the Labuan branch of the legal firm as well as its Singapore branch.

The Memorandum of Agreement (MOA)

(6) This MOA was signed on 2/4/1998 between George and Portcullis International to give effect to the shareholding agreement. Then on 1/4/2004, George resigned from the Singapore branch of the legal firm and on 30/9/2004, the Kuala Lumpur branch of the legal firm was dissolved.

(7) Portcullis International contended that pursuant to the MOA, George must sell his 25% share in Portcullis Holdings to Portcullis International since he had ceased to be a partner in the said branches of the legal firm. When George refused to do so, Portcullis International commenced arbitration proceedings against him in Kuala Lumpur Regional Centre For Arbitration to compel him to transfer the said shares on the ground that his entitlement to the shares ceased with the dissolution of the Kuala Lumpur branch of the legal firm. On 19/2/2009, the Arbitral Tribunal ruled

in favour of George because according to the Tribunal, pursuant to clause 4.1 of the MOA, George was only required to transfer the said shares when he retired from the legal firms and since the Kuala Lumpur branch was dissolved, he need not have to do so. Therefore, his shareholding in Portcullis Holdings, Portcullis Trust, Portcullis Trustnet and Portcullis Nominees remained.

(8) In the very same year when the arbitration was commenced, specifically on 12/6/2006, George also filed a minority oppression petition against Portcullis International, David and Portcullis Trust. On 29/7/2011, the High Court, in the judgment of Hasnah binti Dato' Mohamad Hashim JC (as Her Ladyship then was) also ruled in favour of George when it ordered that Portcullis International's 75% shares be sold to George at nett book value. That decision was affirmed by this Court and is final because there was no further appeal to the Federal Court. Thus, the transfer of the said 75% shares were effected by the completion date, that is 30/1/2015 and Portcullis Holdings was wholly owned by George and through it, the Portcullis Malaysian Companies.

(9) Following that victory before the High Court, on 29/8/2011 George filed two applications to register the Portcullis marks in Malaysia. Not to be outdone, about a month or so later, Portcullis (Singapore) filed its own application for the registration of the Portcullis marks and logo which were

approved and the same were registered on 13/10/2011. The 12 registered trademarks are as follows:

- (a) Trade Mark Registration No 2011054127 - Portcullis Trustnet in Class 35
- (b) Trade Mark Registration No 2011054129 - Portcullis Trustnet in Class 41
- (c) Trade Mark Registration No 2011054130 - Portcullis Trustnet in Class 45
- (d) Trade Mark Registration No 2011054131 - Portcullis in Class 35
- (e) Trade Mark Registration No 2011054133 - Portcullis in Class 41
- (f) Trade Mark Registration No 2011054134 - Portcullis in Class 45
- (g) Trade Mark Registration No 2011054135 – Portcullis Logo in Class 35
- (h) Trade Mark Registration No 2011054137- Portcullis Logo in Class 41
- (i) Trade Mark Registration No 2011054138 - Portcullis Logo in Class 45
- (j) Trade Mark Registration No 2011054140 - [Portcullis Trustnet in Chinese characters] in Class 35
- (k) Trade Mark Registration No 2011054142 - [Portcullis Trustnet in Chinese characters] in Class 41
- (l) Trade Mark Registration No 2011054143 - [Portcullis Trustnet in Chinese characters] in Class 45

Following that registration, Portcullis (Singapore) then asked George to withdraw his application for the said registration and when he failed to do so Portcullis (Singapore) informed George that it was withdrawing its

consent for him to use the Portcullis marks and logo. On 9/2/2015, it issued a letter to George and Portcullis Holdings to cease and desist from using the Portcullis marks and logo. About 3 months later, on 20/5/2015, Portcullis (Singapore) filed a writ action against George (1st defendant), Portcullis Holding (2nd defendant) and all the rest of the Portcullis Malaysian Companies mentioned earlier as the 3rd – 12th defendants respectively for trade mark and copyright infringements of the 12 registered trade marks under Portcullis (Singapore)'s name and the Portcullis logo as well as passing off of the said trade marks and logo.

(10) Portcullis (Singapore)'s contention was that when the Portcullis Malaysian Companies ceased to be part of the Portcullis Group on the completion date, their right to use the Portcullis trade marks and logo similarly ceased.

There was no dispute that the 2nd – 12th defendants have, at all material times and right after the completion date, been using the Portcullis trade marks and logo.

Their counter argument was that they have the right to do so as the acquisition of the Portcullis Malaysian Companies by George was together with the goodwill and the other intellectual property rights of the respective companies.

(11) George and the Portcullis Malaysian Companies therefore filed a counter-claim for, inter alia, an order to expunge the 12 registered trade marks from the Register and an injunction to restrain Portcullis (Singapore) from using the 12 registered trade marks. After a full trial, the learned Judicial Commissioner Wong Kian Keong dismissed the counterclaim and allowed the claim. His Lordship made the following, inter alia, orders:

(a) a declaration is granted that –

- (i) Plaintiff is Common Law owner of Portcullis Trade Marks;*
- (ii) all Defendants have infringed Registered Trade Marks (except Portcullis TrustNet trade mark in Chinese characters); and*
- (iii) all Defendants have passed off services of 2nd to 12th Defendants as that of the Plaintiff's;*
- (iv) Plaintiff is owner of copyright subsisting in Portcullis Logo; and*
- (v) Defendants have infringed Plaintiff's copyright subsisting in Portcullis Logo;*

(b) a perpetual injunction to restrain 1st Defendant and 2nd to 12th Defendants, their directors, employees and agents, jointly and severally from, among others :

- (i) infringing 12 Registered Trade Marks; and*

(ii) passing off services of 2nd to 12th Defendants as that of the Plaintiff's;

(c) a perpetual injunction to compel 1st Defendant to, among others :

(i) withdraw 1st Defendant's 2 Trade Mark Applications; and

(ii) cancel registration of Offending Domain Name;

(d) a perpetual injunction to compel 2nd to 6th and 9th Defendants to change their names to names which -

(i) do not include or incorporate Portcullis Trade Marks or part thereof; and/or

(ii) are not similar to Portcullis Trade Marks;

(e) an order for -

(i) full discovery by Defendants of all relevant documents relating to Defendants' business; and

(ii) erasure, removal or obliteration, from all materials in any media used in the course of Defendants' business depicting Portcullis Trade Marks and delivery to Plaintiff of an affidavit or SD affirmed by Defendants confirming under oath that such erasure, removal or obliteration has been done;

(12) The learned Judicial Commissioner wrote a full and very comprehensive grounds of judgment in support of his decision but which,

with respect we have decided to overturn at the hearing of the appeal filed by George and Portcullis Malaysian Companies against the same. Before delving into the merits of the appeal, it would be fair to give a brief summary of the findings made by His Lordship which led to his ultimate decision.

Summary of High Court's findings

(13) This has been ably set out at paragraph 17 of pages 17-21 of the main written submission of learned counsel for George dated 27/11/2017 which we reproduce below with some editing in respect of the names of the parties so as to be consistent with this judgment and an explanatory notation for clarification purpose.

MOA

- (a) The recital of the MOA provides that the parties' intention was to 'carry into effect a Shareholders' Agreement' in respect of the Malaysian Portcullis Companies. This cannot objectively be construed to include or refer to the goodwill or intellectual property rights of Portcullis Holdings to Corpshare Ltd (the 2nd to the 5th defendants) or Portcullis (Singapore). The MOA was to regulate the shareholding in Portcullis Holdings to Corpshare Ltd. Portcullis (Singapore) was not a party. The factual matrix showed David controlled the Portcullis Group. It was

inconceivable that he would agree to the Portcullis Holdings to Corpshare Ltd owning the goodwill given that George did not provide any valuable consideration for his 25% share. For the said reasons George and the Malaysian Portcullis Companies cannot rely on the MOA.

- (b) The Malaysian Portcullis Companies cannot enforce the MOA as they were not parties to the same.
- (c) The Malaysian Portcullis Companies cannot rely on the MOA as the Portcullis (Singapore) is the 1st user of the Portcullis Marks.

Estoppel

- (d) David had not made any admissions as understood by Section 17(1) of the Evidence Act 1950 as he had not given clear evidence which suggested any inference regarding the causes of action in this civil suit. Even if he had made admissions, the same is not conclusive proof of the fact and further there was no act, declaration or omission by him which intentionally caused or permitted George and the Malaysian Portcullis Companies to believe a thing to be true and to act on that and as such there was no basis to allege estoppel.

1st User

- (e) There was sufficient documentary evidence to show use by Portcullis (Singapore) of the Portcullis Trade Mark and Portcullis Logo in the course of trade in Malaysia prior to George's participation in the Malaysian Portcullis Companies in 1993. This included a letter from Portcullis (Singapore) in 1992 and an invoice from Portcullis Investment dated 1.10.1988. Portcullis (Singapore) is the 1st user of the Portcullis Trade Mark and Portcullis Logo in Malaysia and the Portcullis Group including Portcullis (Singapore) is the 1st user of the Portcullis Trustnet Trade Mark [in English and Chinese].

The Validity of the Plaintiff's Trade Mark Registrations

- (f) George and the Malaysian Portcullis Companies had failed to establish they are the 1st users of the Portcullis Marks. Portcullis (Singapore) is the 1st user of the Portcullis Marks and thus entitled to apply to register the same pursuant to Section 25 of the Trade Marks Acts 1976. The said registrations were lawfully made. Portcullis (Singapore) did not act in bad faith (as they were exercising their lawful rights) and thus there is no basis to expunge Portcullis (Singapore)'s 12 Portcullis Trade Mark Registrations. George's 2 trade mark applications to register the

Portcullis Marks on the other hand were contrary to Section 25 of the Act.

Trade Mark Infringement

(g) Upon the completion of the transfer of shares from Portcullis International to the George on 30.1.2015, the Malaysian Portcullis Companies ceased to be part of the Portcullis Group and no longer had authority to use the Portcullis Marks. The evidence established their continued use of the Portcullis Marks [save the mark in Chinese characters] in the course of trade. The said continued use amounts to an infringement of the 12 Portcullis Registered Trade Marks by the Malaysian Portcullis Malaysian Companies including George who is the alter ego of the others. As regards the mark in Chinese characters, there is basis to grant a quia timet injunction.

Passing Off

(h) Portcullis (Singapore) has substantial goodwill and reputation attached to the services provided in Malaysia. The defendants' use of the Portcullis Marks amounted to a misrepresentation that Malaysian Portcullis Companies were associated with the Portcullis (Singapore) when this was no longer the case. Documentary evidence establishes that the Malaysian Portcullis

Companies continued to represent themselves as part of the Portcullis Group. By reason of the same, there is a likelihood of damage by reason of which the tort of passing off was established. George is equally liable as the alter ego of the Malaysian Portcullis Companies.

Copyright – Chain of Ownership

- (i) On the chain of ownership, whether copyright was initially vested in Portcullis Investment and thereafter distributed to David and his wife is governed by Singapore law. David was a person skilled under Singapore law and his expert opinion on the position under Singapore law as regards the said two issues is admissible. The learned Judicial Commissioner found that (i) copyright vested with Portcullis Investment Ltd as Mr Sullivan had been commissioned by Portcullis Investment Ltd to create the Portcullis logo, (ii) copyright in the Portcullis logo had been distributed to George and his wife upon the voluntary winding up of Portcullis Investment Ltd and (iii) George and his wife had assigned the copyright to the plaintiff.

Note : Mr Sullivan was not a witness at the trial.

- (j) Even if the Court does not accept David's expert opinion on Singapore law, the Court would have to determine the issue

under Malaysian law. Based on Malaysian law, the assignment to the Portcullis (Singapore) is valid.

Copyright Infringement

(k) The Malaysian Portcullis Companies have used the Portcullis logo and infringed its copyright. This includes George who is the alter ego of the Malaysian Portcullis Companies.

The appeal

(14) Having perused the written submissions of the parties prior to the hearing, we indicated at its outset that it would be expedient to resolve the appeal on this one issue, which is :

In the context of a corporate group, how is the issue of ownership of trade marks, corporate names and goodwill determined, including whether the principle of first user is applicable when determining such ownership within a corporate group?

(15) This we did based on the clear evidence as found by the learned Judicial Commissioner, that Portcullis (Singapore) was the first user of the 12 registered trade marks and the two still pending applications at the time of His Lordship's judgment as well as the fact that the Portcullis logo was designed by Mr Sullivan (a British citizen and a freelance graphic designer) at the behest of David 25 years before the trial. Then, as alluded to earlier, there was the undisputed evidence that there was common

usage by the Portcullis Malaysian Companies of the said registered trade marks at all material times and well after the completion date. The first user principle no doubt would be useful in determining any issue of the use of such trade marks as between unrelated competitors but in our considered view, not between related entities such as in this case (See *Al Baik Fast Food Distribution Co SAE v El Baik Systems Co SAE v El Baik Food Systems Co SA* and another appeal [2016] 5 MLJ 768). Therefore against the backdrop of the shareholders agreement and the MOA, the answer to the question posed above in our view would bring about a fairer determination of the disputes between the parties herein.

(16) In this regard, we placed great importance and relevance on the MOA itself and the pertinent clause here is clause 2.2 which provides as follows:

The goodwill and other intellectual property and associated rights in the name “Portcullis Holdings (Malaysia) Sdn Bhd” and the business of that company shall vest in and belong to that company.

The goodwill and all other intellectual property and associated rights in the name “Portcullis Trust (Labuan) Sdn Bhd” and the business of that company shall vest in and belong to that company.

The goodwill and all other intellectual property and associated rights in the name “Portcullis (Malaysia) Sdn Bhd” and the business of that company shall vest in and belong to that company.

The goodwill and all other intellectual property and associated rights in the name “Portcullis Nominees (Malaysia) Sdn Bhd” and the business of that company shall vest in and belong to that company.

(17) Learned counsel for the Portcullis (Singapore) submitted to us that clause 2.2 must be read together with the preceding clause 2.1 and the clause which followed thereafter, that is clause 2.3. The two clauses read:

“2.1 The companies whose shares are subject to this Memorandum are and shall continue to be named “Portcullis Holdings (Malaysia) Sdn Bhd”, Portcullis Trust (Labuan) Sdn Bhd”, “Portcullis (Malaysia) Sdn Bhd” and “Portcullis Nominees (Malaysia) Sdn Bhd

....

*2.3 For the avoidance of doubt, in the event that **GP ceases to be a shareholder of the companies for whatever reason no payment in respect of the goodwill, intellectual property and associated rights shall be paid to GP.***

It is also agreed that this prohibition shall apply irrespective of whether the companies are still in business under the said names” (emphasis added).

Note: “GP” mentioned in the above clause refers to George.

(18) Contrary to his interpretation, we were of the view when we read these three clauses together, that the clear intention evinced therefrom is these companies continue to bear the same name, use the same logo and marks but if George ceased to be a shareholder of the company he would waive payment of goodwill, intellectual property and associated rights in the companies – not that these were not part and parcel of the transfer of the shares.

(19) In consonant with the above documentary evidence, another salutary fact which must be considered is that when the High Court ordered Portcullis International to sell 75% of its shares in Portcullis Holdings to George, the Portcullis marks had not been registered in Malaysia yet. Therefore, submitted learned counsel for George and the Malaysian Portcullis Companies, any rights which subsisted in Portcullis marks at that point in time in Malaysia would have been by virtue of the use of the said trade marks and the corporate names. Thus, this question was posed by him:

Who owned the goodwill, the Portcullis Marks and the corporate names in Malaysia?

(20) In answering that question, we were very much guided by another decision of the Court of Appeal, not here but in England – **Scandecor Development AB v Scandecor Marketing AB & another** (1998) EWCA Civ 1282; (1999) F.S.R. 26, CA. The facts in this cited case mirrors very much that in this appeal for it too started from a falling out of two friends and business colleagues and following that, a claim for infringement of trade mark and passing off with regards to the use of the name ‘Scandecor’ in United Kingdom. Just like our case here too, the original company in **Scandecor’s** case (supra) was not started in the country where the action was filed but in Sweden but unlike our case, it was started by the two nemesis – not using the ‘Scandecor’ name but a different one, that is Uppsala Konstgalleri Ab. Devt AB (Development) and the defendants were Scandecor Marketing AB (Marketing) and Scandecor Limited. The relevant passage of the court’s decision which appears at page 9 of the report reads:

Goodwill-general

The effects of the expansion of international trade, the globalisation of markets and the growth of multi-national corporate

conglomerates are all reflected in this and similar disputes. A company incorporated outside the United Kingdom and carrying on business in a number of other countries may expand into the United Kingdom market in a number of different ways. It may establish a branch or form a subsidiary company to manufacture or to trade in its products or services in the United Kingdom, or it may appoint an unconnected company to act as the sole or exclusive distributor of its products or the supplier of services in that local territory for a fixed term or until terminated on notice or other specified events; or it may enter an agreement with a local company to make and sell its products under licence. The local company may use the same marks in the territory as the foreign company uses in other territories both in its corporate name and in relation to its products and services. No problems are likely to occur while the local subsidiary, distributor, agent or licensee company is a member of the same group or is bound by a contractual arrangement containing provisions governing the use of the mark. Difficulties, like those in the present case, are likely to arise when the corporate or the contractual connection is severed and there are no express post-termination contractual provisions designed specifically to regulate the future use of the mark in the local territory. Who is then entitled

to use the mark in relation to goods or services or in the corporate or trading name?

*The legal response is that this problem, if not solved by agreement, is ultimately soluble only by a factual inquiry with all the disadvantages of the length of its duration, the cost of its conduct and the uncertainty of its outcome. There are no quick, cheap or easy answers to be found in hard and fast legal rules, in binding precedents or in clear cut factual and legal presumptions. As Lord Oliver said in his speech in **Reckitt & Colman Properties Ltd v Borden Inc** [1990] 1 All ER 873L [1990] 1 WLR 491 at page 499C of the latter report:*

“ Although Your Lordships were referred in the course of argument to a large number of reported cases, this is not a branch of the law in which reference to other cases is of any real assistance except analogically. It has been observed more than once that the questions which arise are, in general, questions of fact”.

This **Scandecor** decision was discussed quite extensively by the learned author, Christopher Wadlow in his book, The Law of Passing off : Unfair Competition by Misrepresentation (3rd Edition)

and in relation to corporate groups this is what the learned author said at page 204:

3-137 Corporate groups for present purposes are groups of companies ultimately under common ownership or control which are held out to the public in such a way as to emphasise that the group is a single enterprise. Groups of companies also exist, for instance in the consumer goods, tobacco and spirits trades, in which the individuality of the different trading companies is emphasised and the fact that they form part of a larger group is more or less suppressed. This paragraph is of little relevance to them, nor to diverse conglomerates trading in many fields or under many distinct names or brands.

Corporate groups are no exception to the rule that goodwill as legal property must necessarily be owned by some identifiable person. It is meaningless to speak of legal property which is not owned by anyone, or which is supposed to be distributed among a group of persons who do not own it individually, as joint tenants or as tenants in common. It is not often necessary to decide how goodwill is divided between the companies in the group, because intra-group disputes are

unlikely to arise and in suing third parties it is normal to join as claimants every company with a plausible stake in the goodwill infringed.

In respect of parent and subsidiary companies, this is what the learned author stated at page 205:

Subsidiaries are frequently given virtually the same name as their parents and sister companies. This confuses the issue of ownership of goodwill, because although the public may identify the source of goods as X, they are unlikely to distinguish by name between the parent X Inc or X plc, and its subsidiary X Ltd. By establishing a subsidiary under a particular name the parent self-evidently confers rights of some kind on it. What is questionable are conclusions such as those sometimes previously reached that the rights of the subsidiary automatically prevail over those of the parent, or, conversely, that the goodwill generated by the trading activities of the subsidiary automatically belongs to the parent. Conclusions such as these cannot be deduced from the parent-subsidiary relationship as such. If the use of the name by the subsidiary is pursuant to a contract term, whether express or implied, then one must look to the contract to see whether the right to use the name

is conditional or unconditional, permanent or revocable, exclusive or non-exclusive. Otherwise, one must look to all the relevant facts.

(21) So basically, what the court held in **Scandecor's** case (supra) was that as between family related companies - such as the Malaysian Portcullis Companies - the entitlement to use the registered trade mark would be a question of fact and was not to be decided on "hard and fast legal rules" which therefore means that the first user principle as applied by the learned Judicial Commissioner was not a relevant determinant of this legal dispute. It is only relevant, we would reiterate, in a dispute over the use of a trade mark between two competitors.

(22) Now, when we look back to the facts of this case, the clearest evidence, despite strong attempts by Portcullis (Singapore), in particular David to say otherwise, was clause 2.2 of the MOA which we had reproduced above. Learned counsel for Portcullis (Singapore) submitted to us at the hearing that the MOA was not an agreement to transfer goodwill of the registered trade marks and as stated earlier she said it must not be looked at in isolation – it must be read with clauses 2.1 and 2.3 as well. Further, she submitted not all the Malaysian Portcullis Companies were parties to the MOA; in fact Portcullis Trustnet (Labuan) and the rest of the Portcullis Malaysian Companies named in the writ were

incorporated after the MOA was drawn up. He reminded the court that the High Court had ordered the sale to George of the 75% shares at nett book price, so the sale did not include the goodwill in the names of the company. Besides, submitted learned counsel further, George, Portcullis Holdings, Portcullis Trust and Portcullis Trustnet did not pay any consideration for the assignment of the goodwill in the name to them. In reply, learned counsel for George and the Portcullis Malaysian Companies highlighted to us the fact that it was David who drafted and supervised the preparation of the MOA and effect must be given to the clear and express wordings used in clause 2.2, given his starring role in this action. She also referred us to the evidence adduced in both the arbitration proceedings and [in the oppression petition][given by David] with regards to this issue on goodwill. This evidence as reproduced at paragraphs 50 and 51, respectively of counsel's main written submission reads :

Para 50:

“KK: I refer you to the Core Bundle page 23” (this will be reference to the Memorandum of Agreement) “can you confirm that the goodwill and name belong to the company in the case of Portcullis Group”.

DC: “yes”

See: Notes of Proceedings in the Arbitration Proceedings at page 432 Vol. 3 CB

Para 51 :

“KK: You agree that under this agreement the companies which share are subject to this memorandum are construed to the Portcullis Holdings, Portcullis Labuan, Portcullis Malaysia and Portcullis Nominees, so this were all the four companies, three companies [that] are under the umbrella of the holdings, isn’t it at the relevant period of time. Now it says that the goodwill and the intellectual property in the Portcullis (Holdings) Malaysia and the business of that company shall vest and belong to the company, so each of the companies would own the name and its respective goodwill. Unlike the answer that you give earlier today, you said that you own the goodwill and the name of the companies [in Malaysia]. In fact, it was not you, it was in fact the respective [company]”.

“DC: If you look at my letter of offer, after the meeting of the 10th of February”

“KK: [Now], no I know in your letter of offer you were saying sell the business of the company but your answer, all along, the goodwill and the name was always belong to me. But here under this agreement, because you meaning, I would presume, the ultimate

owner of the Portcullis International (PIL) ... and you are the ultimate owner of PIL that's what you meant".

"DC: Yes".

"KK: But my point is under this agreement, PIL didn't actually own the goodwill, the goodwill and the name of this company actually belongs to the respective [company]. Whoever then becomes the shareholder will get the name and the goodwill but" in your answer here "You see, this agreement was drafted when he leaves the law firm and leaves and transfers back the shares, it is drafted to prevent him from saying I have goodwill in [the] company".

"KK: if you are the shareholder of the company you will ultimately own the goodwill of the company. But I just want to make a point, in this agreement, it is the respective company [which] owns the goodwill. You agree with me how it is drafted?"

"DC: yes".

(23) Although we recognise the fact that these evidence were not adduced at the trial of the actions, the undeniable fact is that they were given in collateral proceedings where the transfer of the shares and the control of the Portcullis Malaysian Companies were arbitrated/litigated and these were evidence given in not just a quasi judicial proceeding but

a judicial one as well. Therefore these are evidence of considerable weight especially when viewed together with clause 2.2 of the MOA and the fact that it was given by the drafter of the MOA himself.

(24) In accepting that the above evidence must be used against Portcullis (Singapore), we are also fully aware of the evidence adduced from George during the minority oppression proceedings that David had requested that the name and goodwill of the companies would remain with the former. This stand is consistent with that expressed by David in his letter to George dated 15/2/2006 (at page 1077 Vol 6 of the Core Bundle of Documents) that “.. the intended sale concern only the business of the said companies and not the name and the goodwill thereof ...” which he said he will retain. George said in his evidence that he had “.... no issue with that” and said further that “..... obviously the name change would have followed after this”. Obviously, there was a change of heart as shown by the fact that George submitted his two applications to register the Portcullis marks one month after the judgment in his favour was delivered in the minority oppression petition. Nonetheless, inspite of this evidence, George’s and the Malaysian Portcullis Companies’s strongest evidence in their favour would still be the MOA as alluded to earlier. Thus the one and only conclusion that we drew from all these evidence was this

- the goodwill in the trade mark and logo used by the Portcullis Malaysian Companies remained with them.

(25) Accordingly, the appeal was allowed and the decision of the learned Judicial Commissioner was set aside.

Date : 23 August 2018

signed
RHODZARIAH BINTI BUJANG
Judge
Court of Appeal Malaysia
Putrajaya

Note : This copy of the Court's Grounds of Judgment is subject to editorial revision.

Parties appearing :**For the Appellant :**

Dato' Ambiga Sreenivasan (with Janini Rajeswaran, Lim Wei Jiet, Suaran Singh Sindhu and Stephanie Abraham)
Messrs Koh Dipendra Jeremiah Law
9-2, 2nd Floor,
Jalan Medan Setia 1
Plaza Damansara
Bukit Damansara,
50490 Kuala Lumpur.

For the Respondent :

Su Siew Ling (with Tan Jue Ann)
Messrs Zaid Ibrahim & Co
Level 19, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur.

Cases referred to :

1. Scandecor Development AB v Scandeco Marketing AB & another (1998) EWCA Civ 1282; (1999) F.S.R. 26, CA
2. Reckitt & Colman Properties Ltd v Borden Inc [1990] 1 Akk ER 873L [1990] 1 WLR 491
3. Vokes (CG) Ltd v Evans (1931) 49 R.P.C. 140