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# HALAL INTEGRITY BREACH IN IMPORTED FOOD PRODUCTS: A FORENSIC ANALYSIS OF GUANGZHOU LIGHT INDUSTRY & TRADE GROUP LTD & ORS V LINTAS SUPERSTORE SDN BHD (EAGLE COIN CASE)

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## ABSTRACT

The compliance of the regulations and requirements of halal according to the principle of Halalan Toyyiban is greatly reliant on the traceability of the supply chain of Malaysian food products. Usually, traditional halal forensics focused on scientific laboratory analyses such as the detection of porcine DNA, but contemporary halal forensic science includes an assessment of supply chain audits, territorial documentation and statutory labelling parameters. The paper analyzes the landmark Malaysian Federal Court judgment in the case of Guangzhou Light Industry & Trade Group Ltd & Ors v Lintas Superstore Sdn Bhd (Eagle Coin Case) using the lens of halal forensic. While the case was sparked by a commercial grievance over trademark infringement, passing off and grey market trading (also known as parallel import), the ruling brought to light the important "material differences" between a "parallel import" and an "approved local product". The products, which were canned fried dace for the exclusive domestic China market, were unauthorized and did not meet the Malaysian labelling regulations and domestic halal requirements. This study examines the potential negative impact of grey market activities and unauthorized supply chains on the integrity of the Halal Assurance System (HAS), product safety and consumer rights as enshrined in the law, when products with same branding are supplied but with different levels of Halal compliance.

## Introduction

The Halal concept in Malaysia is regulated under a strict ecosystem that integrates Shariah law and modern compliance science through the principle of Halalan Toyyiban (permissible, wholesome, clean, safe, and high-quality). For imported food products, maintaining halal integrity depends heavily on the robustness of the supply chain (supply chain integrity) from the foreign manufacturing facility right until the product reaches the consumers in Malaysia (Mohamed et al., 2021).

The Federal Court case between Guangzhou Light Industry & Trade Group Ltd & Ors against Lintas Superstore Sdn Bhd [2022], better known as the Eagle Coin Case, is a highly critical landmark case in the landscape of intellectual property law and product quality control in Malaysia. From a commercial litigation standpoint, this case centers on the issue of trademark infringement and parallel importation or grey market. The dispute began when the Defendant, a supermarket in Sabah, bypassed the Plaintiff's authorized distributor in Malaysia by purchasing "Eagle Coin" brand canned fish products in bulk from the open retail market in China and importing them on their own to be sold at a cheaper price. The product physically bore a domestic label stating that it was for domestic sale in China only ("To be sold in China only").

However, from the perspective of modern Halal Forensic Science, the evolution of this discipline has now expanded beyond basic laboratory tests such as mere porcine DNA screening. Present-day halal forensics also encompasses aspects of supply chain audit traceability (supply chain traceability) and statutory documentation compliance. Although this Eagle Coin case was not filed under Halal issues by religious authorities, the grounds of judgment by the Federal Court in rejecting the Defendant's defense exposed the concept of "Material Differences" in the product. This concept is closely intertwined with the risk of the collapse of the Halal Assurance System (HAS) and the violation of the Halalan Toyyiban principle. Therefore, this paper will forensically examine how grey market activities in this case can jeopardize the hygiene status, safety, as well as the integrity of imported food products, which constitute a fundamental right of Muslim consumers in Malaysia.

## Trademark Infringement

The trademarks belong to the most basic intellectual property types, having similar legal attributes to patents and copyrights (Cosgrove et al., 2011). Trademark infringement is considered "use" of a protected distinctive mark on or in connection with goods/services that is likely to cause public confusion, mislead, or deception about the actual commercial source of the goods/services (United States Patent and Trademark Office, 2009). Under this legal framework, it could be a statutory violation even if the commodities being distributed are genuine ones. This happens most often when the unconsensual introduction of such products, often in the form of parallel imports, is accompanied by significant material differences in product content, quality and presentation, which eventually lead to a reduction in the goodwill of the original proprietor and mislead domestic consumers about the level of quality they would expect.

The landmark Malaysian Federal Court case of *Guangzhou Light Industry & Trade Group Ltd & Ors v Lintas Superstore Sdn Bhd* [2022] MLJU 1135, commonly known as the “Eagle Coin” case, is a key case illustrating this legal threshold. The apex court has essentially reshaped the trademark landscape in Malaysia by taking a highly restrictive approach toward the defense of parallel importation. The Federal Court made it clear that trademark rights cannot be exhausted worldwide and are only exhausted nationally if the imported goods were placed on the national market by, or with the consent of, the registered proprietor (McKinnon, 2022). Furthermore, the court raised the legal threshold for establishing implied consent, stating that it can only be inferred when the facts and circumstances unequivocally show that the proprietor has renounced their right to oppose the placement of such goods on that specific jurisdiction (McKinnon, 2022). Crucially, the court ruled that a mere bulk purchase of products through retail channels cannot serve as a basis for implied consent to be inferred.

## Fact of the Case

### *Factual Background*

i. P1 was a China-based canned food manufacturer and the registered owner of the 'Eagle Coin' trademark in both China and Malaysia.

ii. P2, a subsidiary of P1 that was granted the rights to use the "Eagle Coin" trademark and sell the products outside of China.

iii. P3 was a Sabah company that had been the sole authorized distributor of Eagle Coin canned food in Malaysia since March 2008 and was also the registered user of the mark in Malaysia.

iv. Defendant was a company that has a supermarket business in Kota Kinabalu, Sabah.

The issue is that the defendant sold canned fried dace marked with Eagle Coin in its supermarket, despite not having sourced it from P3, the sole distributor in Malaysia (McKinnon, 2022). The plaintiffs claimed for trademark infringement and passing off as the defendant's products were offered for sale under the same mark but different packaging, labels and net weight from the Malaysian authorized products. The defendant sold the products, which were produced by P1 and P2 in China, but were only designed for the China market and not for the distribution market in Malaysia. The plaintiffs contended that the defendant had imported the goods directly from China and sold them in Malaysia without any permission from P1, P2 or P3, thus violating P3's exclusive distributorship rights.

### *How the Goods Were Obtained*

The defendant argued that it had bought the products in China from P2's retail outlet and sent them to Kota Kinabalu for resale in Malaysia. It contended that it was a legitimate instance of parallel importation under S40(1)(dd) of the Trade Marks Act 1976 as the goods were genuine Eagle Coin goods from the plaintiffs' own business group and being resold in Malaysia. But the Federal Court recorded facts put forward by the High Court which undermined that defence. No evidence to show that the goods were exported from P2 to Malaysia. Rather, 720 cans were sent by defendant's own transporter, Guangzhou Hefu International.

The defendant made the purchasing contract in China to purchase the goods through his own agents and claimed that the transportation and forwarding contract was also arranged by the defendant's agents, not by the plaintiffs' or their agents. The court also ruled that the defendant's representative was able to speak Mandarin and was aware of the labelling on the products, which indicated that the products were not intended for export outside of China. The packaging was made to limit the merchandise to be sold only in China, a main factual issue of the controversy.

### *Facts Showing Knowledge and Lack of Consent*

A big chunk of the evidence was defendant's prior relationship with P3. Defendant had previously placed an order for Eagle Coin to purchase canned fried dace for its supermarket but later canceled due to a higher price (McKinnon, 2022). The packaging of the products distributed in Malaysia also mentioned that P3 is the only authorized distributor of P1's products in Malaysia.

On that basis, the court found evidence that the defendant was aware that P3 was the only distributor of a like product in Malaysia, and that the defendant's stock was not authorized for sale in Malaysia. The court determined that there was no express or implied agreement by the plaintiffs to resale in Malaysia, nor any relationship between the plaintiffs and the defendant which would lead to an inference of implied consent.

## Summary of The Case

The decision attached to the Federal Court Judgement is in relation to a trademark infringement and passing off action brought by three plaintiffs against Lintas Superstore Sdn Bhd in respect of its canned fried dace product 'Eagle Coin' sold in Sabah. Defendant did not admit liability and invoked the defence of parallel importation of the Trade Marks Act 1976 paragraph 40(1)(dd).

The commercial building was relevant to the court's reasoning. P1 had registered the Eagle mark in China and Malaysia, P2 was responsible for using the mark and selling the products outside of China and P3 was the only registered user of the mark and the only one who was authorized to sell it in Malaysia (McKinnon, 2022). On the other hand, the defendant was just a supermarket owner in the city of Kota Kinabalu and not under any category of proprietor, registered user or authorized distributor. The issue stemmed from the defendant selling canned fried dace in his supermarket despite the fact that the product was not from P3, the sole Malaysian importer of the product. These goods were genuine goods from China, but they were for sale in China only, and not authorized for sale in Malaysia, was the plaintiffs' argument.

The High Court sided with the plaintiffs. It was its opinion that the defence of parallel importation was denied, the plaintiffs had infringed their trademark rights and the tort of passing off was proven (Teoh & Lyn, 2022). The Court of Appeal then overturned that ruling presumably on the basis that the quantity purchased was sufficient to indicate implied consent but did not provide any written reasons. The Federal Court re-wrote the High Court judgment and found that Court of Appeal had misdirected itself. It responded to the leave questions by confirming that the rights in the trademark were not exhausted globally if the use of the goods had been expressly limited to China; that if the goods had been used in a manner that was "materially different" from the use of the owner's trademark, then the use was not exhausting the trademark rights; and that making a bulk purchase of goods did not by itself constitute an agreement to the resale of the goods in Malaysia.

As for the first, the Federal Court found there was no exhaustion of rights nationally or internationally as there was no consent to Malaysian resale and the packaging clearly stated it could only be sold in China. In respect of the second, the Federal Court agreed that the products offered to the China market were different to the Malaysian market in their contents, quality and packaging. It was considered that such a material difference was enough to cause consumer confusion and, therefore, was a basis for infringement, in spite of the fact that the goods were ultimately from the same overall source (Teoh & Lyn, 2022).

The court further found that the defendant used the same name "fried dace" on the products that it sold in its name and led the public to believe that its products were identical to the products sold by P3 in Malaysia on the passing off claim. Both products were using the same Eagle Coin mark, which would result in confusion regarding the source and market identity and negatively impact P3's reputation. The result was that the plaintiffs were successful on infringement and passing off while the defendant's parallel importation defence was not successful.

**Means of Evidence**

***Documentary Evidence***

In the Eagle Coin case, the documentary evidence consisted of packaging and the printing of the statement in product packages that the products were only sold in China. The Federal Court considered that limitation a negative finding that the plaintiffs had not agreed to resale in Malaysia. The other significant document was the packing of the Malaysian distributed Eagle Coin goods which mentioned that P3 was the only authorized distributor of the product in Malaysia. This assisted in establishing exclusive authorized channel in Malaysia and the fact that the defendant was not aware of this. The court also looked at documents and business records indicating that the defendant had previously placed an order for canned fried dace with P3, which he then cancelled due to its higher cost (Teoh & Lyn, 2022). The previous course of dealing had already established a familiarity with the authorized Malaysian supply chain in advance of the defendant's resorting to cheaper China market goods.

Other important documents were those related to shipping. High Court states that there was no evidence that P2 had sent the goods to Malaysia and the shipment was arranged by the defendant's own transporter and its agents in China (McKinnon, 2022). This undermined a defendant's case of implied consent on basis of the business deal. All these documentary evidence indicated that the goods were purchased for export to China, arranged for delivery to Malaysia by the defendant himself, and sold outside the authorized distribution network of the plaintiffs.

***Physical Evidence***

The prime physical evidence in the case was the actual Eagle Coin products and packaging. The court studies the labels, packaging form and market markings of the products on sale by the defendant and compared them with the products approved to be sold in Malaysia. The physical packaging itself revealed the territorial restriction that the goods are to be sold in China only (McKinnon, 2022). The court considered that such restriction was clearly an objection to resale in Malaysia and not just a label. The court also held the products to be evidence of material difference. It concluded that the goods sold by the defendant was not of the same contents, quality and packaging as the Malaysian authorized goods (McKinnon, 2022).

The ratio of fish content in the fish produced for the China market was different from the goods being sold in Malaysia under the same Eagle Coin mark, the judgment said. The physical goods were also indications of non-compliance with regulations. The court accepted the fact that the imported products do not meet Malaysian labelling requirements and halal requirements, as against the products that have been authorized for the Malaysian market (McKinnon, 2022). As both products were marked with the same mark, the physical difference was significant because there was the risk that the consumers would consider them to be the same product when they are not.

***Witness Testimony***

Witness testimony was also an important type of evidence. The plaintiffs relied on the evidence of P1, P2 and P3 to demonstrate that the defendant did not obtain any express or implied consent to sell the China-market products in Malaysia. The witness for P3 testified that the goods sold by P3 complied with the Malaysian law as it is a halal goods, while the defendant's imported goods do not (McKinnon, 2022). This testimony helped the court decide that the imported goods were not equivalent to the goods authorized by Malaysia. The court also took into account evidence about the defendant's representative DW1. The High Court determined that DW1 personally visited the retail outlet in China, had the capacity to read the Chinese language and would have realized off the labels that the items were not intended for sale outside the China market. That testimony and factual finding assisted in establishing knowledge and not innocent misunderstanding. The defendant's actions also constituted and were considered as evidence. The defendant conceded that the Eagle Coin goods that it sold in Malaysia did not originate from P3, the exclusive distributor and registered user of the Eagle Coin in Malaysia. That admission confirmed defendant's knowledge that he was violating the authorized distribution system.

***Comparative Product Evidence***

One of the key elements of the case was the comparative element of the 'China-market goods' vs the 'Malaysian-market goods'. The court ruled that the dispute is not related to counterfeit products. Rather, it has adopted the view that the products are "genuine goods" from the plaintiffs' wider business source but were imported into Malaysia via "parallel importation" without permission. There was a special need for comparative evidence because of that. The court, in its findings, saw that the goods sold by the defendant were significantly different from the goods authorized for Malaysia with respect to packaging, contents, quality of goods and its ingredients (McKinnon, 2022). It also considered non-compliance with Malaysian labelling and halal requirements to be a part of that material difference. What was significant from the legal perspective was that two parallel imports could be "materially different" and cause consumer confusion, thereby constituting a trademark infringement. The Federal Court explicitly stated that the sale of parallel imports in Malaysia is not only not allowed but could be prevented if the goods are intended for resale, and they are materially different from the goods authorized for sale in Malaysia. The same evidence was admissible in comparative cases for passing off. Consumers might be confused that the defendant's product was the same product sold by P3 since both products were marked with the same Eagle Coin designation.

**Issues Involving Halal Forensic**

The attached judgment frames the dispute as one about material difference, market identity, and consumer confusion. The court ruled that the imported Eagle Coin products were not counterfeit rather it was genuine products imported into Malaysia by unauthorized parallel importation and the products are materially different in contents, quality and packaging from the products authorized for sale in Malaysia. It also acknowledged that the China-market cans were not as per the Malaysian requirement for halal products, whereas the 'local' market, Muslim market, products are prepared as per the halal requirements, which has significant differences for a legal and commercial point of view (Teoh & Lyn, 2022).

Halal integrity literature, on a broader level, sees this as a recognisable forensic issue as the halal status can be compromised at many points of the supply chain, and not just using prohibited ingredients. Reviews highlight mislabelling and adulteration, contamination, packaging issues as ongoing sources of non-compliance, and emphasize that the halal status must be preserved from the time of raw materials to the time of sale (Teoh & Lyn, 2022). The broader definition applies to Eagle Coin, since the Malaysian consumer had been exposed to a product that is also stamped with the same consumer-friendly identity, but not the one that is halal compliant.

There is also an intention factor in halal forensic analysis. The general literature indicates that deliberate halal fraud tends to be motivated by economic motives, while inadvertent violations may be due to problems in the supply chain, the use of common equipment, or handling issues. In Eagle Coin, the case documents show that the defendant had been purchasing authorized products from P3 before but that the price was a reason for his decision to cease, suggesting the disagreement was not only commercial substitution, but also a commercial one (Teoh & Lyn, 2022).

### *Halal Management, Standard and Regulation*

The halal governance system in Malaysia is based on MS 1500:2019, Malaysian Halal Management System 2020, and the Halal Certification Procedure Manual, which are supervised by JAKIM (Teoh & Lyn, 2022). These standards do not consider halal to be a religion-specific expression. Market authorized status was a key consideration in Eagle Coin, as it was linked to halal production, preparation, handling, storage, internal control and certification systems.

The other laws and regulations that interact with the Malaysian halal control are food safety and hygiene law in Malaysia such as MS 1480, MS 1514, Food Act 1983, and Food Regulations 1985. That overlap is directly reflected in the attached judgment. The court agreed that the imported China-market products did not satisfy the labelling requirements in Malaysia and the criteria for halal, unlike the products authorized by the Malaysian authorities, and that this non-satisfaction could cause misunderstandings regarding the information provided to consumers (Teoh & Lyn, 2022). These controls are even more critical for food imports as the rules of slaughter, the audit procedures, and the norms for labelling and import controls differ between countries. Consistent with literature, there is no one standard for halal in the world, and therefore, easier to substitute in the market and easier to mismatch in the certification process. Although the framework is on paper strong, there is still a strong reliance on the internal Halal control activity, perception of the management and organizational capacity for implementing the framework. Other studies also mention practical issues like the lack of adequate testing facilities and disorganized administration, which are also significant restrictions for halal forensic control.

## Conclusion

As demonstrated in the "Eagle Coin" case, a fundamental breach of product integrity can happen even when the product distributed is physically the original product of the original manufacturer. In the context of cross-border food trade, product legitimacy in Malaysia is not only based on the same manufacturing origin, but it has a strong basis on authorized distribution channels, adherence to domestic labeling regulations and absolute product equivalence. In a forensic way, the Federal Court's judgment establishes an important legal precedent and commercial guidance as it relates to the relationship between the law of intellectual property, the tort of passing off and the requirement to comply with safety standards for halal products. It is a clear violation of the Halal Assurance System (HAS) as it introduces non-compliant variants into the domestic market without going through the proper networks. Overall, the case offers a strong legal basis for consumers' rights, for strengthening cross-border chain auditing, and for resolving future food-authenticity disputes in the regulated halal supply chain in Malaysia.

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