

# Malaysia

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As levels of counterfeiting and piracy continue to increase around the world, it seems that no commercially viable product can escape the threat of exploitation. While the success of online commerce has made cyberspace fertile ground for the exploitation of IP rights, it also makes sales of counterfeits difficult to police, and commercial and financial transactions both traceless and borderless.

Despite repeated efforts by the government and industry to combat counterfeiting and piracy, Malaysia remains on the Office of the US Trade Representative's 2010 lower-level watch list after the Special 301 Review in the same year. However, the Ministry of Domestic Trade, Cooperatives and Consumerism has generally received positive feedback for its efforts to protect and enforce IP rights. In relation to copyright piracy activities, there were reportedly 1,728 cases in 2010, with

93,180 premises inspected and up to \$10-million worth of goods confiscated. The number of counterfeit products has more than tripled from \$1 million in 2009 to over \$3 million.

The continuing battle against piracy and counterfeiting indicates that this is indeed a lucrative and thriving business, particularly given the lack of existing infrastructure in place to facilitate the imposition and revision of harsher penalties and aggressive enforcement. The call for an immediate study and proposals to reform Malaysia's legal and enforcement regime has been answered by the establishment of different committees to look into revamping various IP laws and regulations.

## Legal framework

Existing legislation commonly invoked in counterfeiting cases includes the following:

- The Trademarks Act 1976 provides a framework for the protection of trademark rights and enforcement through civil redress. The scope of protection for trademarks will be

expanded as major reforms are introduced by the Trademarks Bill 2010. In its current form, the act does not expressly recognise sounds, smells, tastes and shapes as trademarks.

However, the government appreciates the need to expand the definition of 'trademarks' in order to cover non-traditional marks and meet changing market demands.

- The Trade Descriptions Act 1972, among others, governs the quasi-criminal nature of state prosecution that rights holders may initiate to detect, deter and detain counterfeiters through the Ministry of Domestic Trade, Cooperatives and Consumerism.
- The Copyright Act 1987 provides a framework for the protection of copyright and enforcement through civil redress. It also sets out the powers granted to state authorities for enforcing copyright and prosecuting copyright offences. The act is currently being updated to include improved remuneration rights for performers.

There are also provisions relating to a voluntary notification mechanism for copyright works, statutory damages, anti-camcording provisions and limitations to the liability of internet service providers (ISPs).

- The Trade Descriptions (Original Label) Order 2001 serves to protect the film, music, games, software and audio recording industries. The order requires all optical disc products to carry an original label, usually a hologram, issued by the Ministry of Domestic Trade, Cooperatives and Consumerism. These holograms must be conspicuously affixed inside the shrink wrap of all copies of works distributed in Malaysia (whether manufactured locally or abroad).
- The Price Control (Labelling by Manufacturers, Importers, Producers or Wholesalers) Order 1980 makes it an offence to sell a product that fails to carry the name and address of the manufacturer, importer, producer, wholesaler and, in the case of imported items, country of origin. The information displayed on counterfeit products is rarely accurate – counterfeiters often use fictitious names and addresses. If these details are incorrect, inadequate or incomplete, the products may be seized by the Ministry of Domestic Trade, Cooperatives and Consumerism, which is empowered to enforce such provisions.
- The Optical Discs Act 2000 is a legislative initiative designed to combat the prevailing problem of piracy in Malaysia by imposing a licensing regime for all manufacturers of optical discs. Among the various measures introduced to control the spread of optical disc piracy is the compulsory marking of codes on all optical discs. However, once the law came into force, the government soon found itself fighting on a new front when pirates were discovered circumventing it by deleting the codes from the discs they produced in order to avoid detection. There are currently calls for the act to be amended to prohibit the so-called ‘gouging’ of source identification codes from discs.

#### Border measures

The current border measures under the Trademarks Act, which were intended to facilitate the seizure of infringing goods at Malaysia’s borders, have been found to be prohibitive. The provisions – which include the compulsory payment of a bond, as well as an obligation to initiate civil proceedings

for trademark infringement matters, including providing detailed information on the vessel number, date and time of arrival of the shipment of the counterfeit products – are so stringent that rights holders have been discouraged from choosing to invoke them for enforcement.

The Trademarks Bill sets out new provisions for swift and simple enforcement procedures at Malaysia’s borders.

#### Criminal prosecution

The Copyright Act grants wide enforcement powers to the police and the Ministry of Domestic Trade, Cooperatives and Consumerism. It empowers both bodies to enter, with a warrant, any premises where there is reasonable cause to suspect that there are infringing copies or equipment for making infringing copies, and seize these. Entry into premises to carry out seizures can be affected without a warrant if there are reasonable grounds to believe that the infringing copies or contrivances for making infringing copies will be destroyed or removed from the premises by reason of delay in obtaining a warrant.

The Trade Descriptions Act is another powerful tool in the enforcement of trademark rights and for recourse in instances of passing off. The registered proprietor or common law owner of a trademark may lodge a complaint with the Ministry of Domestic Trade, Cooperatives and Consumerism, asserting that its mark has been infringed and/or there has been passing off involving the mark.

Where the infringing mark is identical to the proprietary mark and there is clear evidence of infringement and/or passing off, owners can pursue an action by lodging a complaint with the ministry, which is vested with the power of arrest, search and seizure without a warrant. Following a raid, the ministry may prosecute the suspected counterfeiters on the advice of the attorney general’s chambers.

If the infringing mark is not identical to the proprietary mark, but closely resembles it, an application for a trade description order must be made at the High Court, pursuant to the Trade Description Act. Such orders are made *ex parte* and declare the infringing mark to be a false trade description. A trade description includes a direct or indirect indication of matters such as:

- the nature or designation;
- the quantity, size or gauge; and
- the method of manufacture, production or processing.

A ‘false trade description’ refers to a trade description that is false to a material degree. It is an indication that misrepresents, among other things, the source of manufacture or the identity of the manufacturer. Equipped with the trade description order, the ministry will act on a complaint filed and carry out seizures on the false trade description.

#### Civil enforcement

A civil suit is most appropriate when the identity of the main offending party or parties is known and it has sufficient assets to pay the damages and costs sought by the rights holder. Civil suits offer several remedies, which are not necessarily exclusive and which may be granted concurrently by the courts. These include:

- interim or permanent injunctions;
- an order for delivery up or destruction of the counterfeits;
- summary judgments; and/or
- damages or an account of profits

Various types of injunction may be obtained *ex parte*, which vary in impact and intensity according to their purpose:

- Interlocutory injunctions may be used to stop counterfeiters from continuing their unlawful trade pending trial.
- Anton Pillar orders allow rights holders to search for and seize evidence from counterfeiters if it is suspected that they may destroy or dispose of evidence of infringement or passing off.
- Mareva injunctions are granted to rights holders to restrain infringers from dissipating their assets out of a jurisdiction.

A rights holder may also obtain summary judgment against a defendant where there is no clear defence against the rights holder’s claims.

Rather than embarking on criminal prosecution or a civil suit at first instance, which may prove to be both costly and time consuming, a rights holder can opt for pre-emptive measures such as the following:

- Warning notices – publicly asserting its proprietary rights through various media forewarns the industry and public of the rights holder’s seriousness in protecting and enforcing its rights.
- Cease and desist letters – demanding that the counterfeiter ceases and desists from continuing the infringing activities is another pre-emptive measure that can be self-funding, as damages and costs may be sought.
- Undertakings/agreements – a warning

letter or demand notice gives rights holders the opportunity to enter into agreements with counterfeiters, which are then compelled to undertake not to trade in the counterfeit goods under threat of civil proceedings.

### Anti-counterfeiting online

The anonymity and global nature of the Internet have made it an ideal platform for the trade in counterfeit goods. Rights holders face significant obstacles in tracing entities that set up and operate websites that offer counterfeits for sale. It is an arduous and tedious task for a rights holder to contemplate taking action against each and every one of them.

In order to bring an action against a vendor of counterfeit products, it is vital to gather intelligence so as to identify the source and the supply chain of the counterfeits. It is prudent to work closely with investigators, including carrying out surveillance and trap purchases, in order to gather and preserve effectively the evidence to be used in the ensuing enforcement.

On the legislative front, the Ministry of Domestic Trade, Cooperatives and Consumerism has been invoking Section 3(1)(b) of the Trade Descriptions Act, which states that it is an offence for a person to supply or offer goods to which a false trade description is applied, in order to seize counterfeits that are sold online. Rights holders can liaise with the ministry further under the act by obtaining a trade description order, which would empower the ministry to seize goods imported, exported and traded over the Internet.

The Communications and Multimedia Act 1998 creates a licensing system and defines the roles and responsibilities of those providing communication and multimedia services. Certain provisions in the act prohibit a content applications service provider from providing content that is indecent, obscene, false, menacing or offensive in character, or is intended to annoy, abuse, threaten or harass any person.

The Copyright (Amendment) Bill 2010, when passed, aims to remove legal uncertainty and protect ISPs from liability for any transient storage of copyrighted works. The proposed amendments will provide immunity to ISPs in the following circumstances:

- transmission or routing, or the provision of connections by the ISP of an electronic copy of the work through its primary network;
- system caching; and
- storage and information location tools.

Under the proposed amendments, a rights holder whose work has been infringed must notify the ISP in the manner set out in the act, requiring it to remove or disable access to the electronic copy on the ISP's network. The notice must include an undertaking to compensate the ISP for any damages, loss or liability arising from compliance with the notification. The ISP is required to remove the infringing electronic copy from its network within 48 hours of receiving the notification. The person whose electronic copy of the work is removed or to whom access is disabled can issue a counter-notification in a manner to be determined by the act with a statement, under penalty of perjury, that the takedown notice was issued as a result of a mistake or misidentification of the material to be removed or disabled.

### Preventive measures/strategies

#### Education

The government has received strong support from the copyright industries to promote greater awareness of the menace of counterfeiting and piracy. These industries have, together with the government, organised and invested resources in training, workshops and public awareness activities, including organising so-called 'sales carnivals' to promote and sell original items under various brands at competitive prices. Piracy road shows have been held at schools to educate students on the consequences of copyright infringement.

#### Landlord liability

The Copyright (Amendment) Bill initially included proposals to extend liability for infringement to landlords for the actions and activities of tenants within their premises. However, following vocal opposition by landlords, this provision has been removed.

#### Fiat

IP owners should also lobby for the revival of *fiat*, which can be granted by the attorney general. Under this proposal, rights holders could appoint an advocate to represent them and prosecute their criminal case (ie, the advocate, a private person, would step into the shoes of the public prosecutor). This would enable rights holders to appoint counsel and use their resources, expertise and knowledge to bring infringers to justice, unlike public prosecutors, who can lack the necessary technical expertise. Advocates equipped with the knowledge and resources in their field of expertise would certainly

have an advantage in prosecuting infringers. This system would also reduce the protracted delay faced by rights holders in the prosecution process.

### Conclusion

Malaysia's determined efforts to eliminate piracy have been widely applauded on the international front. However, the government must remain prepared to face battles with counterfeiters, who are constantly finding ways to circumvent the law. The ongoing challenge now is for Malaysia to keep anti-counterfeiting high on its list of priorities and to continue to heighten public awareness. The global effort to curb IP crimes has led to the negotiation and establishment of the Anti-counterfeiting Trade Agreement, which attempts to provide a vital international framework for stronger enforcement against counterfeiting. It remains to be seen whether Malaysia will follow the example of its neighbour Singapore in becoming a signatory to the agreement. [WTR](#)

## Biographies

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Karen Abraham is an advocate and solicitor for Malaysia and South Australia. She jointly heads Shearn Delamore & Co's IP and IT departments. Ms Abraham is a director of the board of the International Trademark Association (INTA) and assistant secretary general of the International Association for the Protection of Intellectual Property (AIPPI). Her practice covers both litigation and advisory matters relating to intellectual property and information technology. She has crafted brand management programmes for leading multinational companies throughout the world, and designed anti-counterfeiting and anti-piracy programmes and strategies for some of the largest local and global IP brands. She has actively advocated mediating IP disputes in Malaysia and has been appointed to INTA's Panel of Neutrals. Ms Abraham is also an accredited mediator of the Malaysian Mediation Centre and an associate member of the Chartered Institute of Arbitrators (UK).


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