

Malaysia

Contributing firm
ShearnDelamore & Co



Authors

Karen Abraham and Janet Toh

Malaysia's responsiveness in the fight against counterfeiting and piracy paid off when the jurisdiction was removed from the Office of the US Trade Representative's 2012 Special 301 Report in April 2012. The move came as Malaysia strengthened its IP legislation and stepped up enforcement measures.

In relation to false trade description under the Trade Description Act 2011, 692 cases were reported and over \$200,000 worth of goods confiscated in 2012. In relation to copyright infringement, 621 cases were reported and over \$16,000 worth of goods seized in 2012. There was also significant improvement in enforcement against piracy, with 68,540 premises inspected and over 1,000 cases reported in 2012. The total value of goods confiscated during these raids was reported to be worth in excess of \$5 million. These figures are indicative of the increased efforts made by the Ministry of Domestic Trade, Cooperatives and Consumerism to combat counterfeiting

and piracy. Nevertheless, there is still room for improvement and development within the IP infrastructure, and further steps must be taken by the legislature and officers of the ministry in order to protect and enforce IP rights in Malaysia.

Legal framework

The existing legislation in Malaysia, which provides for protection and enforcement in counterfeiting cases, includes the following:

- Trademarks Act 1976 – this provides a framework for the protection of trademark rights and enforcement through civil redress. Malaysia is currently amending the act to incorporate the Madrid Protocol. This amendment is long overdue and to be welcomed, as it gives trademark owners access to the world market. In addition, international registration provides cost savings to trademark owners that wish to protect their mark in multiple countries, as they need only file one application with the Trademarks Office, instead of filing separate applications with different offices. Unfortunately, the consultation paper

“ The Trademarks Act 1976 contains provisions which empower Customs and trademark owners to take action at the border. However, to date, the border measures provisions have not been invoked ”

on the first draft of the Trademarks Bill 2010 released by the Intellectual Property Corporation in July 2012 made no mention of an expansion to the definition of ‘trademarks’ to cover non-traditional marks (eg, smells and shapes).

- Trade Description Act 2011 – this came into force on November 1 2011 and provides for criminal enforcement against infringement. A trade description order is a declaratory order granted by a high court (civil jurisdiction) pronouncing a specific offending mark as a false trade description if it resembles the registered proprietor’s trademark to an extent that is likely to deceive or cause confusion. The trade description order may be issued *ex parte*, although recent decisions illustrate the courts’ reluctance to do so. Once granted, a trade description order is valid for one year and can be renewed. A trade description order is admissible in evidence in any proceedings under the act as conclusive proof of a false trade description. One of the key amendments introduced by the act is that only a registered owner of a registered trademark can apply for a trade description order. Another notable amendment is that the evidence of *agents provocateurs* is now admissible in court.
- Copyright (Amendment) Act 2012 – this came into force on March 1 2012. The amendment act prohibits recording inside a cinema and the circumvention of technological protection measures. The amendments further provide for a notice and takedown system in respect of copyright infringements on the Internet. In addition, the Copyright (Voluntary Notification) Regulations 2012, which came into force on June 1 2012, enable a rights holder to give notification voluntarily to the registrar of copyright of its right in copyrighted works, on payment of the prescribed fees.
- Trade Description (Optical Disc Label) Order 2010 – this was introduced as part of the government’s effort to eradicate copyright piracy and protect intellectual property in Malaysia. Original optical disc labels issued by the Ministry of Domestic Trade, Cooperatives and Consumerism to eligible applicants must be affixed to all optical discs embodied with content and intended for trade or business. The labels must be placed in a conspicuous place, either on the optical disc or on the container in which the optical disc is supplied. It is an offence to supply optical discs without labels and produce fake optical disc labels. The penalty for a first offence is a maximum fine of RM100,000, imprisonment of up to three years or both. Over 1,000 cases were reported and over \$1 million worth of goods seized in 2012.
- Price Control (Labelling by Manufacturers, Importers, Producers or Wholesalers) Order 1980 – this makes it mandatory for goods to carry details of the manufacturer, importer, wholesaler, producer and – in the case of imported goods – country of origin. These details on counterfeit goods are normally fictitious or inaccurate. If so, such products may be seized by the ministry, which is empowered to enforce such provisions under the order.
- Optical Disc Act 2000 and Optical Disc Regulations 2000 – these were enacted to prohibit all forms of optical disc piracy and fraudulent activities, as well as to

appreciate and acknowledge an individual's or organisation's IP rights. The legislation stipulates that any party which intends to manufacture optical discs must obtain a licence pursuant to the Optical Disc Act 2000. Further, the licensee must mark each optical disc with a manufacturer's code assigned to it so that infringing copies can be easily identified. However, the problem faced now by the government and enforcement agents is that offenders are deleting the codes from the discs in order to avoid detection. Although there are provisions in the act to prevent the falsification of manufacturer codes, the Optical Disc Act could be improved to prohibit the removal or deletion of codes from discs.

Border measures

The Trademarks Act 1976 contains provisions which empower Customs and trademark owners to take action at the border. However, to date, the border measures provisions have not been invoked. The reason for this is that there are many onerous prerequisites and criteria to be fulfilled in order for the complainant to make an application to the registrar of trademarks, and these prerequisites have been found to be prohibitive. Under the act, the complainant must provide detailed information on the suspected counterfeit shipments (eg. estimated date and time of arrival of the suspect cargo, ship name or number and container number). These requirements often preclude the lodging of complaints, as most of this information is inaccessible. Further, the complainant must deposit a security to reimburse the registrar for any liability or expense incurred as a result of seizure of the goods. It is hoped that the much-anticipated Trademarks Bill will address these shortcomings, and that amendments will be made to allow for a simpler, more favourable process.

Criminal prosecution

The Copyright Act 1987 grants the police and the ministry wide enforcement powers. The act empowers both enforcement bodies to enter any premises where there is reasonable cause to suspect that such premises houses

infringing goods or equipment for making such goods, and to seize those infringing goods or equipment with a warrant. Entry into premises to carry out seizures can be effected without a warrant if there are reasonable grounds to believe that the infringing goods or equipment may be destroyed or removed from the premises due to the delay in obtaining a warrant. The Copyright (Amendment) Act 2012 has extended the right of the police to gain access to computerised or digitalised data in carrying out investigations.

The Trade Description Act is another powerful tool in enforcing trademark rights, enabling the registered proprietor of a trademark to lodge complaints with the ministry. Where an infringing mark is identical to a registered mark and there is clear evidence of infringement and/or passing off, rights holders 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.

Civil enforcement

A civil suit is most appropriate when the identity of the key offending party or parties is known and its financial worth and assets are more than sufficient to pay out the damages and costs sought by the trademark owner. Several remedies are offered in a civil suit, 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 counterfeit goods;
- summary judgments; and/or
- damages or an account of profits.

Various types of injunction may be obtained *ex parte*, the impact and intensity of which vary 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; and

- Mareva injunctions are granted to rights holders as a means to restrain infringers from dissipating their assets out of 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, including 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 cease and desist from continuing the infringing activities is another pre-emptive measure that can be self-funding, as damages and costs may be sought; and
- Undertaking/agreements – a warning letter or demand notice gives the rights holder the opportunity to enter into agreements with counterfeiters, which are then compelled to cease trading in the counterfeit goods in lieu of civil proceedings.

Anti-counterfeiting online

As of mid-2012 Malaysia reportedly had more than 17.5 million internet users among its 28 million-strong population. The Internet has taken globalisation to a new level, making it an ideal platform for the sale of counterfeit goods.

In terms of legislative provisions, the ministry may invoke its powers under Section 5(1)(b) of the Trade Description Act 2011 – which states that it is an offence for any party to supply or offer to supply any goods to which a false trade description is applied – in order to seize counterfeit goods that are sold online. Further, rights holders may obtain a trade description order in order to seize counterfeit goods which are imported, exported and traded over the Internet.

The Communications and Multimedia Act 1998 also provides an avenue for rights

holders to protect their rights. The act created a licensing system and defines the roles and responsibilities of those providing communication and multimedia services. The act prohibits a content application service provider from providing content which is indecent, obscene, false, menacing or offensive in character, or which is intended to annoy, abuse, threaten or harass any person.

Pursuant to the Copyright Amendment Act 2012, an internet service provider (ISP) can now be put on notice through the copyright owner's written notification of claimed infringement to the ISP's designated agent. The manner in which the notification is to be given is not specified in the Copyright Amendment Act, but the notification must definitively provide an undertaking to compensate the ISP or any other party against any damages, loss or liability arising from the ISP's compliance with such notification.

If a notice which substantially complies with these requirements is received, the ISP must remove or disable access to the allegedly infringing material no later than 48 hours from receipt of the notification. The ISP must seek clarification from the copyright owner of any unclear aspects within the 48-hour deadline.

The Personal Data Protection Act 2010 came into force on January 1 2013. Online operators must be careful when collecting the personal data of customers, as the act regulates the processing of personal data in commercial transactions.

Preventive measures/strategies

Education

Due to the growing problem of counterfeiting, which causes millions of dollars in taxes to be lost each year, the government has been actively conducting IP-awareness seminars and road shows all over the country during the past year in order to educate various industries and students about the threat of counterfeiting and piracy, and the consequences of these acts. All stakeholders, including rights holders, have welcomed these efforts and initiatives. Industries, together with the government, have invested and devoted resources to conduct training sessions, workshops and public awareness programmes as a form of education for government officers, rights holders and

members of all other sectors.

Basket of Brands

The ministry launched the Basket of Brands programme in 2011 to enable trademark owners which register their brands with the ministry to be given priority with regard to the initiation of enforcement actions and the prosecution of trademark infringement cases through the implementation of a central database. As of October 2012, the ministry reported that 95 brand owners were registered under this scheme. As part of the registration process, trademark owners must indicate that they will cooperate fully with the investigation and prosecution of infringement cases, including carrying out verifications of seized goods and submitting verification reports in a timely manner.

The Basket of Brands scheme is a reflection of the government's strong stand against piracy and counterfeiting. The scheme is intended to save rights holders time and money, as the ministry conducts proactive and effective measures on its own initiative. In order to qualify for the scheme, the documents to be lodged with the ministry must include:

- the registration certificate or certificates of the relevant marks;
- a trade description order; and
- a letter of authorisation from the registered trademark owner, if the mark owner is represented by an agent.

Conclusion

Malaysia's long battle and determined efforts against piracy and counterfeiting have been widely recognised on the international front, as is evident from Malaysia's removal from the US Special Watch List in 2012. It is reassuring to witness the efforts made by the government in its attempt to combat piracy and counterfeiting, more so as counterfeiters are constantly finding new ways to circumvent the law by using advanced technology. The government's proposals to amend key IP legislation to ensure greater protection and easier access to justice are also welcomed by rights holders. It is now important for Malaysia to continually evaluate its progress towards implementing the improved legislative measures in order to achieve a higher standing. [WTR](#)

ShearnDelamore& Co

7th Floor WismaHamzah-KwongHing
1 LebohAmpang, 50100 Kuala Lumpur, Malaysia

Tel +603 2027 2727

Fax +603 2078 5625

Web www.shearndelamore.com



Karen Abraham

Partner

karen@shearndelamore.com

Karen Abraham is an advocate and solicitor for Malaysia and South Australia. She jointly heads ShearnDelamore&Co's IP and IT departments. She 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. Ms Abraham's 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 mediation of IP disputes in Malaysia.



Janet Toh

Partner

janet.toh@shearndelamore.com

Janet Toh is a partner in the IP department of ShearnDelamore& Co. She graduated with an LLB (Hons) from Bristol University and an LLM from the National University of Singapore. She focuses on IP and IT issues in a variety of transactions and has worked on a wide range of agreements, including distributorship, licensing, outsourcing, service and consultancy. She has advised clients on IP protection and ownership issues, advertising issues, consumer protection, copyright, domain names, e-commerce, franchises, gaming, regulatory approvals for food and drug and telecommunications issues. Ms Toh provides advice on IP protection for leading multinational companies in the pharmaceutical and tobacco industries around the world.