

# Malaysia

Shearn Delamore & Co



## Authors

**Karen Abraham and Janet Toh**

Malaysia continues to expand its recognition of intellectual property as the intellectual capital of a business. One major effort has been in the education of financial institutions in the area of IP financing. On the legislative front, the Industrial Designs Act 1996 was the first IP legislation in Malaysia to accord recognition to industrial designs as personal property which may be assigned, transmitted or dealt with in the same manner as other personal or movable property. The government's commitment to encouraging the use of intellectual property as collateral in financial transactions is likely to be extended to other IP-related legislation in the near future.

Other significant IP developments include the introduction of the Patent Prosecution Highway (PPH), which enables the acceleration of the examination of a patent application if examination work has already been conducted at another patent office. Malaysia currently has a pilot PPH programme with the Japan Patent Office.

While there were limited developments

on the legislative front in respect of trademarks and copyright during 2014, Malaysia remained off the US Special 301 Watch List for that year. In relation to false trade descriptions under the Trade Descriptions Act 2011, 1,811 cases were reported and more than \$3 million worth of goods confiscated in 2013. From January to March 2014 a total of 11,704 premises were raided nationwide, involving 235 cases and seizure of about \$250,000 worth of counterfeit items. 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 continues to move forward with its initiative to accede to the Madrid Protocol by the end of 2015. In addition, international registration provides cost savings to trademark owners which 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. To prepare for implementation of the protocol, the Malaysian Intellectual Property Office (MyIPO) has been undergoing advanced training on Madrid Protocol operations.
- Trade Descriptions 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 the 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 introduced a provision on statutory damages, and 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 to eligible applicants must be affixed to all optical discs embodied with content and intended for trade or business. The labels must be affixed 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



## **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 cover the damages and costs sought by the trademark owner**

that manufacturers of optical discs must obtain a licence pursuant to the Optical Disc Act 2000 and 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 empowers 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 many onerous prerequisites and criteria must 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, the estimated date and time of arrival of the suspect cargo, the ship name or number and the container number). These requirements often obstruct the lodging of complaints, as most of this information is inaccessible. It is hoped that the much-anticipated Trademarks Act will address these shortcomings, and that amendments will

be made to allow for improvements in border enforcement and the creation of custom procedures.

### **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 if 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 extended the right of the police to gain access to computerised or digitalised data in carrying out investigations.

The Trade Descriptions 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.



## Training has been conducted for IP professionals and specialists from different backgrounds to create a pool of local IP valuers

### 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 cover 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 and permanent injunctions;
- an order for delivery up or destruction of the counterfeit goods;
- summary judgments; and
- 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 the 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, rights holders 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

Malaysia reportedly has nearly 19 million internet users among its 29 million-strong population. The Internet has taken globalisation to a new level, making it an ideal platform for the sale of counterfeit goods. Piracy in Malaysia is no longer confined to physical media in optical disc formats (eg, CD-R and DVD-R). Piracy has also diversified into online piracy through illegal copying and dissemination of copyrighted music or videos over digital platforms.

In response to the rise in the business models for online platforms, the ministry's enforcement division has established a

forensic unit to monitor websites which offer online pirated materials.

In terms of legislative provisions, the ministry may invoke its powers under Section 5(1)(b) of the Trade Descriptions 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 November 15 2013. Online operators must therefore be careful when collecting the personal data of customers, as the act regulates the

processing of personal data in commercial transactions.

### **Preventive measures/strategies** **Software audit initiative**

In 2013 the Ministry of Domestic Trade, Cooperatives and Consumerism implemented the *Ops Tulen Semak* campaign, which focused on combating software piracy in the workplace to address the rampant use of pirated and unlicensed software by businesses. Throughout the campaign, a total of 25,547 letters were issued to companies containing questions on the usage of genuine computer software. The purpose of the exercise was to force companies to conduct an audit of their computer software. Errant companies were given two months to comply, while flyers were distributed to educate businesses against the use of pirated software.

### **Basket of Brands**

The ministry launched the Basket of Brands (BOB) 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 December 31 2013, the ministry reported that 214 brands had been registered under the BOB programme. The success of this scheme has enabled the ministry to tackle problems stemming from piracy and counterfeiting. 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.

**IP Valuation Blueprint**

Training has been conducted for IP professionals and specialists from different backgrounds to create a pool of local IP valuers. Comprehensive modules

ranged from introduction of IP rights to methods of valuation, IP negotiation and IP management, drafting of practical valuation reports and sharing of international experiences.

MyIPO is currently preparing the IP Valuation Blueprint 2015-2020 to consolidate and enhance the usage, service, delivery, trust and credibility of the IP valuation systems in Malaysia.

On June 27 2014 MyIPO officially launched the IP Rights Marketplace



**Karen Abraham**  
Partner  
karen@shearndelamore.com

Karen Abraham is an advocate and solicitor in Malaysia and South Australia. She jointly heads Shearn Delamore & Co's IP and IT departments. She was appointed a director of the board of the International Trademark Association (INTA) (2011-2013), and is currently the assistant secretary general of the International Association for the Protection of Intellectual Property. 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 mediation of IP disputes in Malaysia and has been appointed to INTA's Trademark Mediator Network.



**Janet Toh**  
Partner  
janet.toh@shearndelamore.com

Janet Toh is a partner in the IP department of Shearn Delamore & Co. Her main practice areas are intellectual property, information technology and personal data. She has reviewed and drafted a wide range of IP agreements, including distributorship, licensing and franchising for major corporations. She has advised clients on IP protection and ownership issues, advertising issues, consumer protection, copyright, domain names, e-commerce, franchises, gaming and regulatory approvals for food and drug and telecommunications issues. Clients include multinational companies in the pharmaceutical, oleochemicals, internet, healthcare, electric utility and tobacco industries. She has spoken at conferences and seminars on IP matters and the Personal Data Protection Act 2010. She was formerly president of the Malaysian chapter of the Licensing Executives Society.

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portal. The portal is a MyIPO initiative to bring together and connect individuals, investors and businesses for the purpose of commercialising and trading IP rights. The portal is a pioneering initiative providing opportunities for investors and entrepreneurs to list their IP rights in order to facilitate and nurture a vibrant marketplace for the trading of intellectual property on a global market platform. The portal enables rights holders to put their patents, industrial designs, copyright and trademarks up for sale or out-licensing. Members of the public can also use the portal when searching for IP rights to buy or in-license, or when looking for partners for innovation projects.

### **Trans-Pacific Partnership**

Negotiations continue towards the Trans-Pacific Partnership trade agreement. These negotiations are likely to include a high-level IP chapter, high-level substantive copyright protection, enforcement standards and provisions ensuring the free flow of e-commerce products and services.

### **Conclusion**

Significant steps have been taken by the Malaysian government to improve

IP protection and enforcement in the country, as Malaysia takes a more holistic and innovative approach in charting the development and growth of the entire IP ecosystem. With more stringent enforcement of IP laws, it is hoped that awareness will be promoted among Malaysians from all sectors on the importance of intellectual property, creating an environment in which research and innovation will flourish. **WTR**

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Shearn Delamore & Co

### **Shearn Delamore & Co**

7th Floor WismaHamzah-KwongHing  
1 Leboh Ampang  
50100 Kuala Lumpur  
Malaysia

**Tel** +603 2027 2727

**Fax** +603 2078 5625

**Web** [www.shearndelamore.com](http://www.shearndelamore.com)