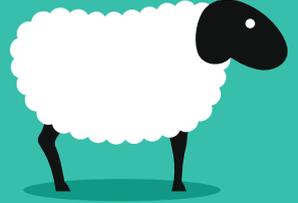
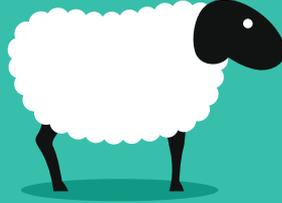
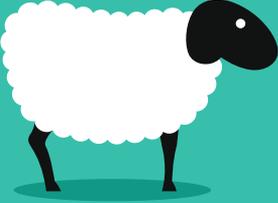
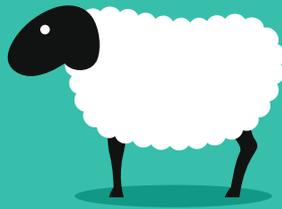
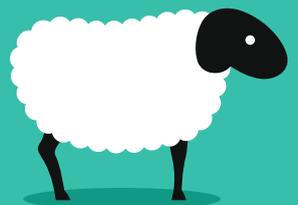
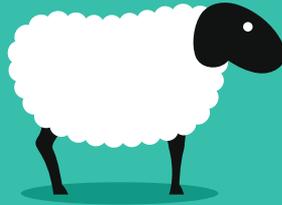


World  
Trademark  
Review™



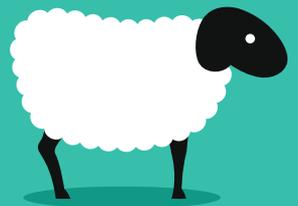
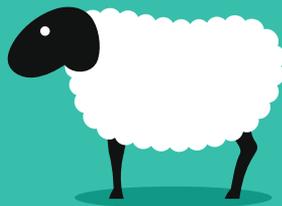
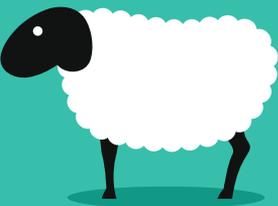
# Anti-counterfeiting 2016 A Global Guide



Malaysia

Shearn Delamore & Co

*Karen Abraham and Janet Toh*



# Malaysia

Shearn Delamore & Co



Authors

**Karen Abraham and Janet Toh**

## Introduction

Malaysia remains committed to promoting intellectual property as a source of wealth to boost the country's economy and move it towards becoming a high-income nation. This is evident from Malaysia's global ranking in the 2015 International Property Rights Index, which measures the quality of intellectual and physical property rights protection for economic wellbeing. It came in second behind Singapore among members of the Association of Southeast Asian Countries (ASEAN) and 28th out of 129 countries overall.

A major IP highlight for 2015 was the conclusion of the Trans-Pacific Partnership Agreement (TPPA) negotiations on October 5 2015 after five years of talks. Malaysia became one of 12 countries to sign the TPPA on February 4 2016. Ratification is expected to take place within two years. While the TPPA has received a mixed reaction from the Malaysian public at large, it is anticipated that it will provide opportunities for Malaysian-owned businesses to gain wider access to international markets. Rights

holders can also look forward to broader protection should the TPPA be fully implemented in Malaysia.

Heated discussions have also taken place in the past year on emerging IP issues, such as whether to introduce plain packaging for tobacco products. In relation to false trade descriptions under the Trade Descriptions Act 2011, 4,866 cases were reported and more than \$300,000 worth of goods confiscated from January to November 2015. In the same period a total of 38,997 premises were inspected nationwide, resulting in 1,514 cases and the seizure of about \$2.75 million worth of counterfeit items.

Malaysia's efforts in fighting piracy and counterfeit goods – which include improved legislation and enforcement, especially for software piracy – have won it praise. Nevertheless, more still needs to be done to raise awareness among local businesses and small and medium-sized enterprises, and further steps taken by the legislature and officers of the Ministry of Domestic Trade and Consumer Affairs to protect and enforce IP rights in Malaysia.

### Legal framework

The 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 still has to accede to the Madrid Protocol, although there are indications that this could take place within the coming year. In preparation to implement the protocol, the Malaysian Intellectual Property Office (MyIPO) has already introduced electronic applications for the filing and maintenance of trademarks, as well as a publicly available electronic information system via an online database of trademark applications and registrations. With the implementation of the TPPA, it is anticipated that brand owners will enjoy broader protection, including for sounds and scents.
- 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 this. Once granted, a trade description order is valid for one year and can be renewed. A trade description order is admissible as 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 change is that the evidence of *agents provocateurs* is now admissible in court.
- Copyright (Amendment) Act 2012 – this came into force on March 1 2012. It introduces provisions on statutory damages, a prohibition on recording inside a cinema and the circumvention of technological protection measures, establishment of a notice and takedown system for online infringements, and provides that rights holders' can voluntarily register their works with the registrar of copyright on payment of the prescribed fees. The prevailing law in Malaysia provides for a 50-year copyright protection period, calculated from either the end of the author's natural life or the beginning of the calendar year which follows the year that the work was first published. The changes mooted by the TPPA, if accepted, will require Malaysia to provide a minimum protection for copyrighted works of life of the author plus 70 years.
- 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. All optical discs carrying content and intended for trade or business must carry original optical disc labels issued by the Ministry of Domestic Trade and Consumer Affairs to eligible applicants. The labels must be placed in a conspicuous place, either on the optical disc or on its container. It is an offence to supply optical discs without labels or to produce fake labels. The penalty for a first offence is a maximum fine of RM100,000, imprisonment for up to three years or both. Over 426,879 optical discs were seized between January and November 2015.
- 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 manufacturers



## 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

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 now facing 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 rights holders to take action at the border. However, to date, these provisions have not been invoked due to the many onerous prerequisites and criteria which must be fulfilled in order for the complainant to make an application to the registrar of trademarks. 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, the ship name or number and the container number). These requirements often prevent complaints from being lodged, 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 improve border enforcement and customs procedures.

### Criminal prosecution

The Copyright Act 1987 grants the police and the Ministry of Domestic Trade and Consumer Affairs wide enforcement powers.

It empowers both enforcement bodies to enter any premises where there is reasonable cause to suspect that there are infringing goods or equipment for making such goods, and to seize such goods or equipment with a warrant. 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 a 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 when carrying out investigations.

The Trade Descriptions Act is another powerful tool for enforcing trademark rights, which enables the registered owner 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 or passing off, rights holders can pursue an action by lodging a complaint with the ministry, which is vested with the power of arrest and 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 is known and its financial worth and assets are sufficient to pay the damages and costs sought by the rights holder. Several remedies are offered in a civil suit, which are not necessarily exclusive and 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
- 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 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.



**Karen Abraham**

Partner

[karen@shearndelamore.com](mailto:karen@shearndelamore.com)

Karen Abraham jointly heads the IP and IT department of Shearn Delamore & Co. She has more than 25 years of IP experience, covering IP litigation, mediation, enforcement and brand consultation and management relating to the gamut of IP-related matters. Ms Abraham was appointed a director of the board of the International Trademark Association (2011-2013) and is currently assistant secretary general of the International Association for the Protection of Intellectual Property. 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 brands. Ms Abraham has actively advocated mediation of IP disputes in Malaysia.



**Janet Toh**

Partner

[janet.toh@shearndelamore.com](mailto: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 agreements for major corporations. She has advised clients on IP protection and ownership issues, advertising issues, consumer protection, copyright, domain names, e-commerce, franchises, gaming, regulatory approval for food and drug and telecommunications issues. Ms Toh's clients include multinational companies in the pharmaceutical, oleochemical, internet, healthcare, electric utility and tobacco industries. She has spoken at conferences and seminars on IP matters and the Personal Data Protection Act 2010. Ms Toh was formerly president of the Malaysian chapter of the Licensing Executives Society.

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 its infringing activities is another pre-emptive measure which can be self-funding, as damages and costs may be sought; and
- Undertakings/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-Rs and DVD-Rs). 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 business models for online platforms, the Ministry of Domestic Trade and Consumer Affairs’ enforcement division has established a forensic unit to monitor websites which offer online pirated materials. The division also works together with other agencies – such as Customs, police and the Communication and Multimedia Commission – in dealing with hardcore piracy perpetrators.

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. It 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 notification must 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.

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 now be careful when collecting customers’ personal data, as the act regulates the processing of this in commercial transactions.

### Preventive measures/strategies

#### Basket of Brands

The Ministry of Domestic Trade and Consumer Affairs launched the Basket of Brands programme in 2011 to give trademark owners which register their brands with the ministry 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 32 brand owners and 214 brands had registered under the 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 reflects the government's strong stand against piracy and counterfeiting. It 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 following documents must be lodged with the ministry:

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

### ASEAN Economic Community

The ASEAN Working Group on Intellectual Property Cooperation is the sectoral group responsible for IP issues in the region. Malaysia is a member of the group, which was established in 1996 pursuant to the 1995 ASEAN Framework Agreement. Among the initiatives undertaken as part of the 2011-2015 IP Rights Action Plan is the implementation of the ASEAN Patent Examination Cooperation programme, of which Malaysia is a member. Further, in efforts to accelerate the ASEAN Economic Community, Malaysia has increased its participation in regional collaboration to streamline IP protection within ASEAN member states.

### Intellectual property as security

Malaysia started IP valuation training in March 2013 to train local IP valuers through comprehensive modules – ranging from introduction of IP rights to methods of valuation, IP negotiation and IP management, drafting of practical valuation reports and sharing of international experience. This was followed by the IP Valuation Model, which provides guidelines to financiers on quantifying and assessing IP assets.

To complement the IP ecosystem, the IP Rights Marketplace portal was launched in 2014 to connect individuals, investors and businesses with rights holders for the purpose of commercialising and trading IP rights. MyIPO has since launched the Roadmap for IP Monetisation as a way to increase Malaysia's revenue and transform its economy.

### Trans-Pacific Partnership Agreement

Negotiations on the TPPA finally concluded on October 5 2015. The TPPA has 29 chapters which cover goods market access, textiles, apparel, IP rights, government procurement, dispute settlement and exceptions, to name just a few. The chapter on intellectual property will harmonise standards across the region. **WTR**

## 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)