

Shearn Delamore & CO.

Dear valued clients and business partners,

We are pleased to highlight the following legal updates for July 2018.

COMPETITION LAW AND ANTITRUST

On 10 July 2018, the Malaysia Competition Commission issued a Proposed Decision involving a financial penalty in excess of RM 17 million against Dagang Net Technologies Sdn Bhd (“Dagang Net”). Dagang Net is alleged to have abused its dominant position as a monopoly in the provision of trade facilitation services under the National Single Window. The impugned acts involve a refusal to supply electronic mailboxes to end users and imposition of exclusivity clause on business partners. It was reported that the Proposed Decision will be challenged by Dagang Net.

For further information regarding competition law and antitrust matters, please contact our [Competition Law and Antitrust Practice Group](#).

EMPLOYMENT AND ADMINISTRATIVE LAW

Industrial court upholds hotels' restructuring of wages by converting service charge to be included with the basic wage to form the minimum wage — Inter Heritage (M) Sdn Bhd (Sheraton Imperial Kuala Lumpur Hotel) v Kesatuan Kebangsaan Pekerja-Pekerja Hotel, Bar & Restoran Semenanjung Malaysia (Award No. 1608 of 2018); The Andaman, a Luxury Collection Resort, Langkawi (Andaman Resort Sdn Bhd) v Kesatuan Kebangsaan Pekerja-Pekerja Hotel, Bar & Restoran Semenanjung Malaysia (Award No. 1609 of

2018)

Introduction

These two cases were heard together as both properties — Sheraton Imperial Kuala Lumpur and The Andaman, a Luxury Collection Resort — are part of the same group. The cases involved trade disputes with Kesatuan Kebangsaan Pekerja-Pekerja Hotel, Bar & Restoran Semenanjung Malaysia ("the Union") in respect of the restructuring of the employees' wages pursuant to the implementation of the Minimum Wages Order 2012 ("MWO 2012").

In the latest major development in a series of cases on minimum wage within the hotel industry, the Industrial Court, vide Award Nos.1608 and 1609 of 2018, held that the properties are entitled to restructure the employees' wages by converting part or the whole of the service charge payable to be included with the basic salary to form the minimum wage rate of RM900.00 in compliance with the MWO 2012.

Brief facts

Prior to the introduction of the service charge system, most hotels in Malaysia practised the tipping system. However, as the tipping system only benefited certain categories of employees (that is, only those who had direct dealings with the customers such as bellboys and waiters) it was replaced by the service charge system. Under the service charge system, hotels would collect a fixed service charge from the customers' bills and deposit it into a service charge fund. The bulk of the monies collected would then be distributed to all employees covered under the applicable collective agreements, based on the allocated service charge points, with a remaining portion retained by the hotels for the purpose of maintaining the service charge fund.

The MWO 2012 was gazetted on 16 July 2012 and came into effect for the hotel industry on 1 October 2013. Under the MWO 2012, the minimum wage rate for the employees in Peninsular Malaysia was RM900.00 a month. The Guidelines on the Implementation of the Minimum Wages Order 2012 ("the Guidelines") was introduced which, among others, permitted employers in the hotel industry to convert all or part of the service charge meant for distribution to the employees, to form part of the minimum wage.

In view of the Guidelines and in order to comply with the MWO 2012, the two properties used all or part of the employees' service charge entitlement to form the employees' basic salary to meet the minimum wage rate of RM900.00. The Union naturally argued against this method. The properties then raised trade disputes which were referred to the Industrial Court. The issue before the Industrial Court was whether the properties were entitled to convert all or part of the service charge entitlement to form part of the minimum wage.

It was the main contention of the Union that the properties were not entitled to use the service charge entitlement to form part of the minimum wage and the two properties in question should have used their own funds to increase the minimum wage of the employees. The properties, on the other hand, argued that they were entitled to restructure the employees' wages by converting part or the whole of the service charge payable to be included with the basic salary to form the minimum wage rate of RM900.00 per month in compliance with the MWO 2012.

Decision of the Industrial Court

The Industrial Court unanimously agreed with the properties' arguments that the employees will be enjoying no less favourable wages than what they were earning prior to the restructuring of the wages and the practice is therefore not to the detriment of the employees. The Industrial Court further held that the evidence on the financial implications adduced by the properties aptly demonstrated that the properties would be saddled with a very high increase in manpower costs if the properties had to use their own funds to top up the minimum wage rate of RM900.00 per month.

In respect of the Guidelines, the Industrial Court held that although the Guidelines has no legal force, they were nevertheless a persuasive document and, by virtue of section 30(5A) of the **Industrial Relations Act 1967**, the Industrial Court ought to give due consideration to the same.

The Industrial Court took the position that the conversion of part or whole of the service charge does not tantamount to a unilateral variation of the collective agreements as there was no reduction to the service charge allocation paid to the employees concerned.

The Industrial Court accordingly held that the properties are entitled to restructure the employees' wages by converting part or the whole of the service charge payable to be included with the basic wage to form the minimum wage of RM900.00 per month in compliance with the MWO 2012.

Past decisions of the Malaysian courts

These two decisions are significant as they represent a departure from previous industrial relations jurisprudence.

The Malaysian courts have consistently ruled against the hotel industry in respect of this issue. In the case of **Kesatuan Kebangsaan Pekerja-Pekerja Hotel, Bar & Restaurant Semenanjung Malaysia v Crystal Crown Hotel & Resort Sdn Bhd (Crystal Crown Hotel Petaling Jaya)** [2014] 3 ILR 410, the Industrial Court held that the service charge remuneration should be retained as the contract of employment provided for the payment of basic salary and service charge. This decision was affirmed by the High Court as well as the Court of Appeal. The case is currently pending appeal before the Federal Court.

The approach adopted in **Crystal Crown** was followed in almost all subsequent decisions of the Malaysian courts. For example, in the case of **Georgetown City Hotel Sdn Bhd v Kesatuan Kebangsaan Pekerja-Pekerja Hotel, Bar dan Restaurant, Semenanjung Malaysia** [2016] 2 LNS 1326, the Industrial Court, relying on **Crystal Crown**, dismissed the hotel's implementation of the minimum wage by utilising the service charge of the employees. Similarly, in the case of **THR Hotel (Selangor) Berhad v Kesatuan Kebangsaan Pekerja-Pekerja Hotel, Bar dan Restoran, Semenanjung Malaysia** (Award No 761 of 2017), the Industrial Court unanimously dismissed the hotel's implementation of the minimum wage which had converted the service charge of the employees.

In **Shangri-La Hotel (KL) Bhd & 4 ors v National Wages Consultative Council & 2 Ors** (Originating Summons No: 24-74-11/2015), the High Court held that the Guidelines which the hotels were seeking to rely on does not have the force of law. The High Court's decision was subsequently affirmed by the Court of Appeal and the hotels' application for leave to appeal to the Federal Court was dismissed.

Please click on the following links to view the full text of the judgments:

[Industrial Court of Malaysia – Award No. 1608 of 2018](#)

[Industrial Court of Malaysia – Award No. 1609 of 2018](#)

For further information regarding employment and administrative law matters, please contact our [Employment and Administrative Law Practice Group](#).

INTELLECTUAL PROPERTY

There is more to Goodwill than meets the eye

Singham Sulaiman Sdn Bhd v Appraisal Property Management Sdn Bhd and another appeal [2018] MLJU 286

Suits Nos. WA-2219-5-02 of 2016 and WA-221P-31-06 of 2016

In the first case, the plaintiff, Singham Sulaiman Sdn Bhd ("SSSB") brought an action against the defendants, Appraisal Property Management Sdn Bhd ("APM") and JLL Property Services (M) Sdn Bhd ("JLLP"), on the tort of passing off their real estate services as SSSB's business by using, amongst others, the "*Jones Lang LaSalle*" mark. SSSB is the registered owner of the "*Jones Lang Wootton*" composite mark ("Jones Lang Wootton Registered Trade Mark").

JLLP counterclaimed based on the tort of passing off, namely that SSSB has passed off its real estate services as being associated with the services offered by Jones Lang LaSalle group of Companies ("JLL Group").

In the second case, Jones Lang Wootton Ltd ("JLWL") applied to remove the Jones Lang Wootton Registered Trade Mark from the Register.

These two suits have been consolidated.

Background

Jones Lang Wootton started its real estate business in London ("London

Firm") and expanded its real estate business worldwide including Malaysia by operating as partnerships from within the countries. The Jersey Partners and the Australian Partners of Jones, Lang, Wootton bought over the business, name and goodwill of one Mr Wicks who had carried on business as Chartered Surveyors, Valuers and Property Manager in Kuala Lumpur.

Under the sale and purchase agreement, the Jersey and Australian Partners would carry on a real estate business under the name and style Jones, Lang, Wootton incorporating Wicks and Partners ("Malaysian Firm"). A Partnership Agreement was entered into in respect of the Malaysian firm ("Partnership Agreement"). The Partnership Agreement had provided that the name and style of Jones, Lang, Wootton is the property of the London Firm and that carrying on of this name and style by the Malaysian Firm is by licence of the London Firm.

SSSB purchased interests of the Australian and Malaysian Partners in the Malaysian Firm. It was provided in the Sale and Purchase Agreement ("SPA") that the SPA does not confer on SSSB any title, right or interest in the Jones Lang Wootton name which shall remain the property of the London Proprietors.

SSSB was given an exclusive sub-licence to use the Jones Lang Wootton name and JLW mark. In the sub-licence, SSSB had expressly acknowledged that the Jones Lang Wootton name is the property of the then proprietary partners of the London Firm ("London Proprietors").

SSSB had entered into a deed of covenant that it will not at any time during the licence register or attempt to register in Malaysia the Jones Lang Wootton name or any name or style materially or substantially the same, or any name incorporating any one or more of the words "*Jones*", "*Lang*" or "*Wootton*".

SSSB subsequently entered into a sub-licence which states, amongst others, that JLW Pacific Ltd ("JLWP") and its "*assigns or successors shall endeavor*" to ensure that a new sub-licence is granted to enable SSSB to continue using the Jones Lang Wootton name "*on terms no less favourable*" to SSSB if the licence signed on 19 May 1982 ("1982 Licence") between the London Proprietors and the Australian Partners, whose names were listed in Part 2 of the First Schedule to the 1982 Licence, is terminated.

In 1999, LaSalle Partners (a firm which originated from the United

States) acquired Jones Lang Wootton partnerships except in Malaysia and the merged entity is known as Jones Lang LaSalle ("JLL Group"). By a series of assignments, the London Proprietors assigned all Intellectual Property Rights, including its goodwill, that is, the Jones Lang Wootton name and JLW mark to JLWL.

SSSB subsequently applied to register the Jones Lang Wootton Registered Trade Mark which was allowed by the Registrar. The trade marks used by SSSB include the sub-licensed marks and Jones Lang Wootton Registered Trade Mark ("JLW marks").

The JLL Group undertook a rebranding exercise and is now known only as JLL.

Judgment

In deciding whether a tort of passing off has been committed or not, one of the factors that the judge had to consider was whether SSSB has goodwill in its business regarding JLW marks.

The Court held that the plaintiff has to prove ownership of goodwill attached to the business with regard to that mark but need not prove that the plaintiff owns the mark. It follows from this that ownership of the JLW marks does not confer the right to sue for the tort of passing off.

The Court elaborated that goodwill is divisible whereby:

- a. One party may own goodwill attached to the business regarding a mark in a particular country; and
- b. Goodwill in respect of the **same business** concerning the same mark in **another country** may be owned by another party.

In deciding that SSSB had generated goodwill attached to its business, the Court considered the following:

1. **Section 23 Valuers and Appraisers Act 1981 ("VAA")**: As a result of the introduction of section 23 of the then VAA, the Malaysian Firm cannot lawfully offer services in Malaysia as registered valuers/appraisers.

Therefore, the Malaysian Firm could not have any goodwill attached to the business of registered valuers/ appraisers with regard to the marks.

2. SSSB was specifically incorporated to provide services in Malaysia as registered valuers/appraisers based on JLW Marks. SSSB had bought all the interest in the Malaysian Firm and carried on the business of registered valuers/appraisers in Malaysia. Accordingly, it has generated goodwill attached to its business regarding JLW marks.

It was the contention of the defendants that any goodwill generated by the use of a mark by a licensee shall accrue to the licensor. However, the Court distinguished the cases that were relied on by the defendants.

Ultimately the Court concluded that when the **Valuers and Appraisers (Amendment) Act 1984** came into force, only SSSB can lawfully provide services in Malaysia as registered estate agents with the use of JLW Marks.

Further, when SSSB carried on its real estate business in Malaysia by the use of JLW Marks, it created goodwill which is attached to such a business. Therefore, SSSB is the owner of goodwill in its real estate business regarding the use of JLW Marks. As the London Proprietors, JLWP and JLWL, are prohibited by section 23 of the then **Valuers, Appraisers and Estate Agents Act 1981** from providing real estate services based on JLW Marks in Malaysia, they cannot claim any goodwill in any real estate business with respect to JLW Marks.

AMEET KAUR PURBA
INTELLECTUAL PROPERTY PRACTICE GROUP

For further information regarding intellectual property matters, please contact our [Intellectual Property Practice Group](#).

TAX AND REVENUE

Income tax

The **Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment) Rules 2018** were gazetted on 5 July 2018 and are deemed to have effect from the year of assessment 2017.

Proposed sales tax

The following materials have been published on the Royal Malaysian Customs Department's official website:

- i. FAQ on Sales Tax 2018 (English language)
- ii. FAQ on Sales Tax 2018 (Malay language)
- iii. Presentation on Sales Tax
- iv. Proposed Goods Exempted From Sales Tax

Proposed service tax

The following materials have been published on the Royal Malaysian Customs Department's official website:

- i. FAQ on Service Tax 2018 (English language)
- ii. FAQ on Service Tax 2018 (Malay language)
- iii. Presentation on Service Tax

For further information regarding tax and revenue matters, please contact our [Tax and Revenue Practice Group](#).





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