Shearn Delamore &co.

Dear valued clients and business partners,

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

EMPLOYMENT AND ADMINISTRATIVE LAW

Minister of Human Resource no longer filter cases

A workman who is aggrieved by the employer's decision to dismiss him may refer his matter to the Department of Industrial Relations, to which the Director General will attempt to resolve the matter between the parties amicably. In the event the matter may not be resolved amicably, the Director General would then refer the case to the Minister of Human Resource ("Minister"), who is empowered with the discretion to refer the matter to the Industrial Court, pursuant to section 20(3) of the **Industrial Relations Act 1967**.

Recently, the Minister suggested that these powers under section 20(3) be removed so that there will no longer be any need to refer the matter to the Minister and instead for the matter to directly proceed to the Industrial Court.

The Minister further instructed his ministry to expedite up to 1,300 cases currently pending at the Industrial Relations Department.

Website: www.malaymail.com/s/1638677/minister-will-no-longer-screen-industrial-court-cases-says-kulasegaran.

Spouses of business owners to be covered under Social Security and Employment Insurance System

Malaysia's Social Security Organisation ("SOCSO") functions as a form of an

insurance organisation which is responsible for providing financial protection to all registered contributors in the event of emergencies, injuries or death in the course of discharging their duties under the **Employees' Social Security Act 1969**. The Employment Insurance System ("EIS"), also under the purview of SOCSO, is a system set out to financially assist employees who were made redundant pursuant to a retrenchment exercise. As it stands, the spouses of employers employed by these employers are exempt from both plans.

Recently, the Minister is looking to expand the scope of SOCSO and EIS to allow spouses who work for their partners to be included under the coverage of SOCSO and EIS. The Minister has expressly said that the amendments are expected to come into force with effect from 1 July 2018.

Website: www.thesundaily.my/news/2018/06/07/july-1-spouse-termed-employee-business-covered-sosco.

For further information regarding employment and administrative law, please contact our Employment and Administrative Law Practice Group.

INTELLECTUAL PROPERTY

Merck KGaA v Leno Marketing (M) Sdn Bhd

The Federal Court in the recent case of **Merck KGaA v Leno Marketing (M) Sdn Bhd**[1] held that the High Court, when hearing "*appeals*" against the Registrar's decisions made pursuant to sections 28(5), (6) and (7) of the **Trade Marks Act 1976**[2] ("TMA") is, in actual fact, exercising its appellate jurisdiction and not original jurisdiction. This decision is significant as it means that any cause or matter brought to the High Court under section 28 of the TMA will end at the Court of Appeal and no further appeal can be taken to the Federal Court.

Brief facts

- The Appellant (Plaintiff in the High Court, "Merck KGaA") is an international pharmaceutical company. In Malaysia, Merck KGaA is the

registered owner of trade marks “BION” and “BION 3” in Classes 5, 29 and 30.

- On 18 July 2008, the Respondent (Defendant in the High Court, “Leno Marketing”) applied to register “BIONEL” in respect of goods in Class 5.
- The Registrar accepted Leno Marketing’s application for “BIONEL” in Class 5.
- Upon publication of the mark in the Gazette, Merck KGaA opposed Leno Marketing's BIONEL trade mark by filing a notice of opposition under section 28 of the TMA.
- Merck KGaA’s opposition was dismissed by the Registrar.
- Merck KGaA appealed against the decision of the Registrar to the High Court under sections 28(5) and 28(6) of the TMA. Merck KGaA’s appeal was dismissed.
- Dissatisfied, Merck KGaA appealed to the Court for Appeal. The Appeal was dismissed.
- One of the approved leave questions which the Federal Court had to deal with was as follows:

“*Whether the High Court in exercising its powers under section 28(5), (6) and (7) of the Trade Marks Act 1976 is acting in its original jurisdiction or appellate jurisdiction?*”

Decision

Section 96 of the **Courts of Judicature Act 1964** (“CJA”)[3] sets out the conditions for an appeal to the Federal Court. It is clear from section 96(a) of the CJA that one of the conditions needed is that the High Court must have decided the cause or matter “*in the exercise of its original jurisdiction*”.

In coming to its determination that the High Court was in fact exercising its appellate jurisdiction when considering a cause or matter brought under section 28(5), (6) and (7) of the TMA, the Federal Court had considered the wording used in these sections. In all these sections, the word “*appeal*” is used. The Federal Court felt that the choice of words by the draftsman is significant as it is presumed that the draftsman uses particular words in order to convey the intention of the Parliament.

In justifying this determination, the Federal Court also made reference to other

sections within the TMA that require deliberation by the High Court which had not used the word "*appeal*", namely, sections 45 (rectification of the register) and 46 (provisions as to non-use of trade mark). These sections provide a mechanism for the aggrieved person not to "*appeal*" but to make an "*application to the court*".

The distinction between appeals and applications brought to the High Court under the TMA is also reflected in Order 87 of the Rules of Court 2012, which makes specific provisions in respect of the provisions that employ two different sets of wordings. Rule 2 states that "*an application to the Court under the Act shall be begun by originating summons*", whereas Rule 3 states that "*an appeal to the Court under the Act shall be brought by originating summons*".

Conclusion

The Federal Court had clearly favoured a plain and natural reading of the word "*appeal*". To construe this word any other way would only unduly stretch and constrain an otherwise unambiguous and clear word.

Accordingly, the Federal Court did not proceed to hear the remainder of the leave questions.

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[1] Civil Appeal No 01(f)-9-04/2017(W)
[2] 28 (5) A decision of the Registrar under subsection (4) is subject to appeal to the Court. (6) An appeal under this section shall be made in the prescribed manner and the Court shall, if required, hear the parties and the Registrar, and shall make an order determining whether, and subject to what conditions, amendments, modifications or limitations, if any, registration is to be permitted. (7) On the hearing of an appeal under this section any party may, either in the manner prescribed or by special leave of the Court, bring forward further material for the consideration of the Court but no further grounds of objection to the registration of a trade mark shall be allowed to be taken by the opponent or the Registrar other than those stated by the opponent except by leave of the Court.
[3] *96. Subject to any rules regulating the proceedings of the Federal Court in respect of appeals from the Court of Appeal, an appeal shall lie from the Court of

Appeal to the Federal Court with the leave of the Federal Court — (a) from any judgment or order of the Court of Appeal in respect of any civil cause or matter decided by the High Court in the exercise of its original jurisdiction involving a question of general principle decided for the first time or a question of importance upon which further argument and a decision of the Federal Court would be to public advantage; or…

For further information regarding intellectual property law matters, please contact our Intellectual Property Law Practice Group.

TAX AND REVENUE

Tax case

Kerajaan Malaysia v Isqandar Dzulkarnaen Putra Bin Salehudin & Norsiah Binti Mokri [Unreported]

In 2015, the Inland Revenue Board of Malaysia ("Revenue") instituted a civil suit against two directors of a company ("the company") who were non-active directors ("2015 civil suit"). Prior to that, the Revenue had instituted a civil suit to recover taxes allegedly due and payable by the company ("Company's taxes"). The Revenue wound up the company when it was unable to recover the company's taxes. The 2015 civil suit was subsequently instituted against the directors under section 75A of the **Income Tax Act 1967** ("Section 75A") purportedly to recover the Company's taxes for years of assessment 2008 and 2009. The Revenue also imposed travel bans on the directors.

At the material time, a "*director*" was defined under Section 75A to mean any person who occupies the position of director and is, either on his own or with one or more associates, the owner of more than 50% of the ordinary share capital of the company. However, the law was amended with effect from 24 January 2014 thereby lowering the shareholding threshold from more than 50% to not less than 20% of the ordinary share capital of the company ("2014 amendment"). The Revenue sought to rely on the 2014 amendment to make the directors liable even though the years of assessment in question were prior to

the 2014 amendment.

The High Court held in favour of the directors and allowed the directors' application to strike out the 2015 civil suit. The learned Judge held that Section 75A was not applicable as the 2014 amendment did not apply retrospectively to years of assessment 2008 and 2009. As the directors collectively owned less than 50% of the ordinary share capital of the company for the relevant years of assessment, they were not directors within the meaning of section 75A(2)(b) of the **Income Tax Act 1967**.

Income tax

The Revenue has recently issued a new **Tax Investigation Framework** dated 15 May 2018 (available in the Malay language only) to replace the **Tax Investigation Framework dated 1 October 2013**.

For further information regarding tax and revenue matters, please contact the Tax and Revenue Practice Group.

This Alert is issued for the information of the clients of the Firm and covers legal issues in a general way. The contents are not intended to constitute any advice on any specific matter and should not be relied upon as a substitute for detailed legal advice on specific matters or transactions.

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