

Shearn Delamore & Co.

Dear valued clients and business partners,

We are pleased to highlight the following legal updates for February 2019.

DISPUTE RESOLUTION

OSK Trustees Berhad v Metroplex Holdings Sdn Bhd [2019] 1 LNS 3

The Court of Appeal set down the guiding principle in relation to the tort of conversion when it held that the essence of the tort is in the wrongful appropriation of another's chattels or movable properties.

This principle is intended to primarily protect ownership or title to chattel or movable property to ensure that one is not deprived from use and possession of the chattel or movable property.

In order to maintain a claim in tort of conversion, the plaintiff must show that it has actual possession or immediate right to possession of the chattel or movable property in question.

Conversely, a defendant sued need only disprove the plaintiff's claim of actual possession or immediate right to possession of the chattel or movable property in question. The defendant's intention or error, or even fraud, is generally irrelevant to the consideration of liability for tort of conversion.

Kerajaan Malaysia v Semantan Estates (1952) Sdn Bhd [2019] 2 CLJ 145

The Federal Court in this case was requested to review an earlier decision of the Federal Court in dismissing an application for leave to appeal to the Federal Court.

The Federal Court held that the conditions for the grant of leave to appeal to the Federal Court was explained in **Terengganu Forest Products Sdn Bhd v Cosco Container Lines Co Ltd** [2011] 1 CLJ 51; [2011] 1 MLJ 25.

According to **Terengganu Forest**, the purpose of the conditions for the grant of leave to appeal is not to allow for correction of ordinary errors committed by the

lower courts, unlike an appeal as of right. The applicant seeking leave to appeal has a heavy burden and will have to fulfill the threshold requirements provided under section 96 of the **Court of Judicature Act 1964**.

The Federal Court also held that there is a further consideration of the prospect of success of the intended appeal, in that even if the points of law framed by the applicant fall within the ambit of section, it has to show a *prima facie* case for success.

In relation to applications for review by the Federal Court, it would only review an earlier decision of the Federal Court if the decision falls within the limited grounds and very exceptional circumstances as explained in **Asean Security Paper Mills Sdn Bhd v Mitsui Sumimoto Insurance (Malaysia) Bhd** [2008] 6 CLJ 1 such as:

- i. where there was a lack of quorum or where the applicant had been denied the right to have his appeal heard on merits by the appellate court; or
- ii. where the decision had been obtained by fraud or suppression of material evidence; or
- iii. where the court making the decision was not properly constituted, was illegal or was lacking jurisdiction; or
- iv. where there is clear infringement of the law; or
- v. where an applicant applying to the Federal Court for a review of its decision has not been heard by the Federal Court and yet, through no fault of his, an order was inadvertently made as if he had been heard; or
- vi. where bias had been established; or
- vii. where it is demonstrated that the integrity of its earlier decision had been critically undermined; or
- viii. where the Federal Court allows an appeal which should have been consequentially dismissed because it accepted the concurrent findings of the High Court and Court of Appeal.

For further information regarding dispute resolution matters, please contact our [Dispute Resolution Practice Group](#).

INTELLECTUAL PROPERTY

Tan Kim Hock Product Centre Sdn Bhd & Anor v Tan Kim Hock Tong Seng Food Industry Sdn Bhd [2018] (Civil Appeal No 02-6-02/2016(W))

This Federal Court decision from last year affirms the decision of the High Court

and Court of Appeal that a Trade Description Order (“TDO”) premised on trade mark infringement may be applied for and granted on an *ex parte* basis. At all material times prior to this case, it has been a long-standing practice that a TDO may be obtained on an *ex parte* basis, without any notice to the defendant. The legality of this practice, however, was first challenged and tested through this case.

Facts of the case

The respondent, Tan Kim Hock Tong Seng Food Industry Sdn Bhd, (“TKHTS Food Industry”) manufactured, processed, distributed and sold their products bearing their registered trade mark, including their famous “*dodol*” products.

In 2001, the first appellant, Tan Kim Hock Product Centre Sdn Bhd (“TKH Product Centre”), was incorporated with TKHTS Food Industry’s founder (“TKH”) and the second appellant (“SSE”) as directors and shareholders in order to sell and market the “*dodol*” products manufactured by TKHTS Food Industry.

Subsequently, TKH sold his interest in TKH Product Centre to SSE and her family, but TKHTS Food Industry continued to sell the “*dodol*” products.

In November 2013, TKHTS Food Industry stopped distributing its “*dodol*” products to TKH Product Centre. However, sometime later, TKHTS Food Industry found that TKH Product Centre was selling “*dodol*” products bearing similar marks to its trade marks but were not TKHTS Food Industry’s “*dodol*” products.

TKHTS Food Industry then applied for a TDO under section 9 of the **Trade Descriptions Act 2011** (“Act”) for a declaration that the trade mark consisting of the shape of a “*T*”, a red and white coconut tree and the stylised letter “*S*” on TKH Product Centre’s “*dodol*” products as sold by TKH Product Centre, was confusingly similar to TKHTS Food Industry’s trade mark, and that this trade mark is a false trade description.

The TDO was granted and the High Court further held that TKH Product Centre’s “*dodol*” products bearing infringing marks were considered imitation or counterfeit products. Thereafter, a raid was carried out by the Ministry of Domestic Trade, Cooperatives and Consumerism at TKH Product Centre’s premises.

TKH Product Centre and SSE filed an application for leave to intervene and to set aside the TDO, the latter of which was resisted by TKHTS Food Industry. The High Court refused to set aside the TDO.

Thereafter TKH Product Centre and SSE’s appeal to the Court of Appeal was also dismissed by the Court of Appeal on similar grounds.

Questions of law at the Federal Court

The Federal Court was asked to answer, among others, the following questions:

- a. whether a TDO could be applied for on an *ex parte* basis under section 9 of the Act, given the criminal consequences imposed by the order (“the first question”); and
- b. whether section 9 of the Act empowers the High Court to determine and declare goods as imitation goods whether on an *ex parte* basis or at all (“the second question”).

Decision

In dismissing the appeal, the Federal Court answered the first question in the affirmative, essentially holding that it was permissible in law to apply for a TDO on an *ex parte* basis and the High Court was empowered to grant a TDO on an *ex parte* basis.

The rationale behind this position is that a TDO was meant to protect not only the rightful trade mark owners but also the consumers at large from the problem of imitation goods, and swift action with some elements of surprise was therefore an “*essential ingredient*” of a TDO application.

By applying the purposive approach of interpretation to section 9 of the Act, the Court held that it was appropriate for the Court to supplement the provision with the words “*ex parte*” so as to achieve the very purpose for the enactment of the provision.

Likewise, the second question was also answered in the affirmative, in that the Federal Court held that the High Court was empowered to declare that goods bearing a false trade description, which was in turn declared as an infringing mark under section 9 of the Act, as “*imitation or counterfeit goods*”.

The Federal Court, however, did acknowledge that not all TDOs are to be applied for on *ex parte* basis. A Court hearing an *ex parte* application for a TDO would, under the relevant circumstances, be entitled to direct that the cause papers be served on the defendant who has been identified as the alleged infringer. The same Court is also empowered to set aside the TDO granted on an *ex parte* basis, as the Court would still retain the power to review the TDO after its grant.

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

TAX AND REVENUE

Income tax

The Inland Revenue Board of Malaysia (IRB) has issued a new public ruling on **Professional Indemnity Insurance (Public Ruling No. 1/2019)** on 18 February 2019.

Service tax

The revised version of the following Industry Guides have been published on the [Royal Malaysian Customs Department's MySST website](#).

- i. **Perkhidmatan Pembersihan** (as at 22 January 2019)
- ii. **Perkhidmatan Perundingan, Latihan & Tunjuk Ajar** (as at 22 January 2019)
- iii. **Panduan Taman Hiburan** (as at 22 January 2019)

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



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