

Dear valued clients and business partners,

We are pleased to highlight the following legal updates for January 2019

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## DISPUTE RESOLUTION

### **Cubic Electronics Sdn Bhd (in Liquidation) v Mars Telecommunications Sdn Bhd (2018) (“Cubic Electronics”) — Review of the Law on Forfeiture of Deposits and Section 75 of the Contracts Act 1950**

The Federal Court has, following from similar shifts in both the United Kingdom and India, reformulated the law on forfeiture of deposits. The earlier position that the law on forfeiture of deposits and the law on damages clause under section 75 of the **Contracts Act 1950** (“CA 1950”) were mutually exclusive did not properly reflect the parties’ freedom of contract especially where parties have comparable bargaining power and are properly advised.

The new test is to subject the forfeiture of deposits clause to the law on damages clause under section 75 CA 1950. The Court’s new approach is intended to give proper credence to the parties’ own ability to assess their own commercial position and in doing so, allows the damages clause to be used as a “*permissible risk allocation tool*”. The key features of the test involves:

1. requiring the innocent party relying on the damages clause to only show that firstly, there was a breach of contract and secondly, the contract contains a damages clause;
2. reversing the burden of proof by requiring the defaulting party to show that the damages clause is unreasonable;
3. allowing the court to take into account factors such as legitimate interest and proportionality (as opposed to only “*actual loss*” under the previous test) when determining whether the sum specified in the damages clause is reasonable.

## **CIMB Bank Berhad v Anthony Lawrence Bourke (2018) — Absolute Exclusion Clauses fall foul of section 29 of the Contracts Act 1950**

The Federal Court in dismissing CIMB bank's appeal held that clause 12 of the loan agreement, which absolutely restricts the borrowers from enforcing any of their rights against the bank and precludes the borrowers from claiming any loss or damage from the bank, was not enforceable for two reasons. Firstly, section 29 of the **Contracts Act 1950** (“CA 1950”) prohibits an absolute restriction of a party’s right to enforce his rights by the usual legal proceedings.

This is to be distinguished from clauses limitation the time within which rights may be enforced. Secondly, as a matter of public policy, an absolute exemption clause such as clause 12 of the loan agreement was patently unfair and unjust to the borrowers. The Courts recognized that the bargaining powers of the borrowers and the bank are different and not equal and reasoned that it is therefore unconscionable for the bank to seek refuge behind such clause and abuse the freedom of contract.

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

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## **FINANCIAL SERVICES**

### **Update to Regulation of digital currency/digital token in Malaysia**

The Securities Commission Malaysia has announced that it will be regulating and issuing guidelines for the offering and trading of digital currency and digital token (collectively, “digital assets”).

A Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019 came into force on 15 January 2019. That order prescribes the types of digital assets as securities for the purposes of the **Capital Markets and Services Act 2007**, and extends the provisions of that Act, other than Division 3 of Part VI of that Act

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For further information regarding financial services matters, please contact our [Financial Services Practice Group](#).

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## INTELLECTUAL PROPERTY

### Use of a Registered Trade Mark and the Contents of Goods bearing the Registered Trade Mark – A Distinction?

The recent High Court case of **Ortus Expert White Sdn Bhd v Nor Yanni binti Adom**<sup>[1]</sup> concerns the beauty products sold by the plaintiff (“Ortus Expert White”), bearing the trade mark “*Royal Expert White*” which was registered in the Register of Trade Marks for goods in Class 3 (“Ortus Expert White’s registered trade mark”). The first defendant, who had entered into a dealership agreement with Ortus Expert White, sold a skin whitening cream bearing the trade mark “*Real Expert White*”. Ortus Expert White initiated an action against the defendants (“Nor Yanni”) for breach of the dealership agreement, trade mark infringement and passing-off.

This article will focus on the following issue: Whether Nor Yanni can rely on section 14(1)(a) and section 14(1)(b) of the **Trade Marks Act 1976** (“TMA”) when there is no counterclaim by Nor Yanni under section 45(1)(a) of the TMA to expunge /remove the registered trade mark from the Register of Trade Mark. In the course of the proceedings, Nor Yanni submitted that according to the Health Ministry’s press release, the “*Royal Expert Whitening Cream*” imported by Ortus Expert Cosmetics Sdn Bhd contained mercury which is harmful to human health (“the Ministry’s Press Release”).

Based on the Ministry’s Press Release, Nor Yanni contended that Ortus Expert White’s registered trade mark should not have been registered by the Registrar of Trade Marks as the use of the same would be contrary to law, that is, Regulation 18A of the Control of Drugs and Cosmetics Regulations 1984 (as stated under section 14(1)(a) of the TMA) and is not entitled to protection by the court (as stated under section 14(1)(b) of the TMA).

The Learned High Court Judge rejected Nor Yanni’s argument based on the following reasoning:

- i. Nor Yanni is precluded from relying on the Ministry’s Press Release. This is because the Ministry’s Press Release concerned Ortus Expert Cosmetics Sdn Bhd and not Ortus Expert White. Based on the trite principle of separate legal entity, Ortus Expert White is a legal entity which is different from Ortus Expert Cosmetics Sdn Bhd. Further, Nor Yanni failed to adduce evidence to prove that Ortus Expert White has been investigated, prosecuted and/or convicted of any offence under the Control of Drugs and Cosmetics Regulations 1984 regarding Ortus Expert White’s beauty products.
- ii. Section 14(1)(a) and (b) of the TMA provide for certain conditions for the registration of a trade mark. If a trade mark has been duly registered and is

subsequently proven that the registered trade mark does not comply with these sections, an aggrieved party may seek to expunge the said mark from the Register under section 45(1)(a) of the TMA. As Nor Yanni did not counterclaim to expunge Ortus Expert White's registered trade mark under section 45(1)(a) of the TMA, Nor Yanni cannot rely upon section 14(1)(a) and (b) of the TMA.

- iii. A registered trade mark is a form of intellectual property which confers rights on its owner under section 35(1) of the TMA. A registered trade mark and the statutory rights attached to the registered trade mark are different from the goods and services which bear the registered trade mark. Even if it is assumed that Ortus Expert White's beauty products have contents which are contrary to the Control of Drugs and Cosmetics Regulations 1984 or any other law, the manufacture, distribution, supply, sale and use of Ortus Expert White's beauty products may be prohibited but such a fact in itself does not mean that the use of Ortus Expert White's registered trade mark is contrary to the law under section 14(1)(a) of the TMA. Nor does this mean that Ortus Expert White's registered trade mark is not entitled to protection by the Court under section 14(1)(b) of the TMA.

Based on the High Court Judge's reasoning, it is apparent that there is a distinction between the use of a registered trade mark and the contents of goods bearing the registered trade mark. The contents of goods, whether it is contrary to any laws or not, have no bearing on the use and/or viability of a registered trade mark. Further, a defendant in a trade mark infringement action cannot rely upon section 14(1)(a) and (b) of the TMA unless a counterclaim to expunge a plaintiff's registered trade mark is initiated.

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**INTELLECTUAL PROPERTY PRACTICE GROUP**

[1] [2018] MLJU 1782

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

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**TAX AND REVENUE**

**Finance Act 2018**

The **Finance Act 2018** has been gazetted on 27 December 2018. Please refer to Sections 3, 31, 63, 69, 71, 83 and 91 as to when the provisions come into

operation.

### **Income tax**

The **Income Tax (Amendment) Act 2018** has been gazetted on 27 December 2018. Please refer to Section 1 as to when the provisions come into operation.

Further, the following rules have been gazetted on 31 December 2018:

- i. the **Income Tax (Deductions Not Allowed For Payment Made To Labuan Company By Resident) Rules 2018** have come into operation on 1 January 2019;
- ii. the **Income Tax (Requirements For Insurer Carrying On Re-Insurance Business) Rules 2018** have effect from Year of Assessment 2019; and
- iii. the **Income Tax (Requirements For Takaful Operator Carrying On Re-Takaful Business) Rules 2018** have effect from Year of Assessment 2019.

### **Sales tax**

The **Sales Tax (Amendment) Act 2018** has been gazetted on 28 December 2018 and has come into operation on 2 January 2019.

Further, the following regulations and orders have been gazetted on 31 December 2018 and have come into operation on 1 January 2019:

- i. the **Sales Tax (Amendment) Regulations 2018**;
- ii. the **Sales Tax (Imposition of Sales Tax in Respect of Special Areas) (Amendment) Order 2018**;
- iii. the **Sales Tax (Persons Exempted from Payment of Tax) (Amendment) (No. 2) Order 2018**;
- iv. the **Sales Tax (Goods Exempted from Tax) (Amendment) (No. 4) Order 2018**;
- v. the **Sales Tax (Customs Ruling) (Amendment) Regulations 2018**; and
- vi. the **Sales Tax (Rates of Tax) (Amendment) (No. 3) Order 2018**.

A Specific Guide on **Sales Tax Deduction Facility** (as at 13 January 2019) has been published on the [Royal Malaysian Customs Department's MySST website](#).

### **Service tax**

The **Service Tax (Amendment) Act 2018** has been gazetted on 28 December 2018 and has come into operation on 2 January 2019.

Further, the following regulations and order have been gazetted on 31 December

2018 and have come into operation on 1 January 2019:

- i. the **Service Tax (Amendment) (No. 3) Regulations 2018**;
- ii. the **Service Tax (Persons Exempted from Payment of Tax) Order 2018**;  
and
- iii. the **Service Tax (Customs Ruling) (Amendment) Regulations 2018**.

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

- i. **Perkhidmatan Bercukai Import** (as at 9 January 2019)
- ii. **Perkhidmatan Pembersihan** (as at 9 January 2019)
- iii. **Perkhidmatan Perundingan, Latihan & Tunjuk Ajar** (as at 9 January 2019)
- iv. **Panduan Taman Hiburan** (as at 9 January 2019)

### **Labuan tax**

The **Labuan Business Activity Tax (Amendment) Act 2018** has been gazetted on 27 December 2018 and has come into operation on 28 December 2018.

Further, the **Labuan Business Activity Tax (Requirements For Labuan Business Activity) Regulations 2018** have been gazetted on 31 December 2018 and have come into operation on 1 January 2019.

### **Customs duty**

The **Customs (Amendment) (No. 2) Act 2018** has been gazetted on 28 December 2018 and has come into operation on 2 January 2019.

### **Excise duty**

The **Excise (Amendment) Act 2018** has been gazetted on 28 December 2018 and has come into operation on 2 January 2019.

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

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