

## MALAYSIA

## IP During Challenging Economic Times

The increased realization and dependence on innovation and a strong intellectual property management strategy can be seen in even the smallest of companies up to the biggest multinational corporations in practically any industry as they invest in IP as a catalyst for economic growth. In a recent study conducted by Frontier Economics, the International Trademark Association (INTA) in its report on the Economic Contribution of Trademark-Intensive Industries dated August 14, 2017, reported that the direct contribution of trademark-intensive industries was 30.3 percent of Malaysia's GDP.

In a tough economic climate where businesses are also faced with decreasing profit margins, there is increased pressure to cut IP budgets. Rather than scaling back on innovation and IP activities, businesses should use this period to reassess their IP management strategy and processes to improve efficiency and cost effectiveness in order to position itself stronger once they emerge from such difficult times. There are various ways for companies to better manage their IP portfolio during a tough economic climate:

**Conducting IP audits.** An IP audit can be a good starting point for companies to analyze current and planned cost for coming years and at the same time identify and prioritize the IP components which are to be protected, maintained, exploited and enforced. It is essential that commercially exploitable IP is not compromised when downsizing or restructuring a business during a downturn. Conducting an audit will be useful in identifying assets which can be leveraged through other means, e.g., licensing, franchising and exploitation through sales and joint ventures. Thus, companies would therefore be able to better manage and optimize their intangible assets which are of value to the business.

**Protection and registration strategies.** The aim of IP protection is essentially to obtain the broadest protection and at the same time having protection which is adequate enough to prevent unauthorized use and copying.

Cost-cutting measures would only be beneficial upon examining the entire IP portfolio and evaluating the relevance of the existing IP registrations in relation to the business. A balance should be struck by maintaining and protecting new and existing IP against the initial overlay incurred when developing a new product or brand which may not justify against the risk of losing or compromising on IP rights which would serve the companies long term needs. There are different mechanisms for IP protection which can be adopted which can reduce administrative and filing costs. Costs can be reduced by taking a more cautious approach so that filings are staggered and carried out in selected countries depending on the market potential and its size, effectiveness of enforceability and the presence of competition.

**Commercialization of IP.** IP assets can be monetized and turned around to generate revenue in the form of royalty payments and through sale of IP rights which have not been exploited. A patentable idea or know how can generate revenue streams not just through the traditional sales of the products but by leveraging on the licensing revenue of the product and through branding and marketing efforts. A company may wish to divest its responsibility to manufacture and market the brand through licensing whereby the brand owner can focus on managing the brand whereas the licensee can look after the operational and distribution aspects of the products or services.

**Enforcement strategies.** Counterfeiting and infringement activities very often escalate during a tough economic climate as offenders try to make a quick commercial gain. A relaxed attitude in enforcing IP rights can result in the company losing value in its IP as income leveraged may be lost, not to mention the dilution of the company's brands from unauthorized use of its trademarks. IP owners should be prepared to invest in a vigilant enforcement strategy and not wait for infringement or counterfeiting activities to occur before reacting.

Businesses can instead keep a watch on market trends by conducting their own surveillance and investigation internally. Conducting joint raids and opting for the publication of warning notices in the media to publicly declare proprietary rights and sending a warning



**Jyeshta Mahendran** is an advocate and solicitor in Malaysia and called to the Bar of England and Wales. She is a partner at Shearn Delamore & Co in the intellectual property department. She has more than 15 years experience in advising clients on IP-related matters and in the prosecution of patent, trademark and industrial designs for both local and overseas applications. She focuses primarily on trademark prosecution, trademark searches and advising on registrability and trademark opposition proceedings.

letter to the wrongdoer to immediately cease and desist from continuing the offending activities is another pre-contentious measure which can have practicable results.

The traditional route of enforcing rights through a civil action can cause protracted delays in the courts and high legal costs. A civil suit is appropriate when the identity of the offending party is known and would only be a wise option if the financial worth and assets of the infringer or counterfeiter are more than sufficient to pay out the damages and costs sought by the IP owner. IP owners can opt for criminal sanctions whereby owners can pursue an action by lodging a complaint with the Ministry of Domestic Trade & Consumer Affairs (MDTCA) whose officers are vested with the powers of search and seizure both for trademark matters under the Trade Description Act 1972 and for copyright cases under the Copyright Act 1987. The Royal Malaysian Customs, the Ministry of Health and Town Councils are available enforcement arms which are also entrusted with battling counterfeits.

Shearn Delamore & Co

**Shearn Delamore & Co**

7/F., Wisma Hamzah-Kwong Hing  
No 1 Leboh Ampang  
50100 Kuala Lumpur, Malaysia  
T: +60 3 2027 2727  
F: +60 3 2078 5625  
E: info@shearndelamore.com  
W: www.shearndelamore.com