

Managing Intellectual Property

Incorporating IP Asia

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Special sections: Malaysia and the Nordic States

Malaysia: piracy

The Malaysian government has taken steps to rid the country of its reputation as a haven for piracy. Karen Abraham of Shearn Delamore & Co outlines the legislative and policy changes it has made and assesses their success

Legislative changes boost IP enforcement

In the first quarter of this year, the International Maritime Bureau (IMB) reported an increase in the number of attacks in 'piracy-prone' south-east Asian waters.

Yet it seems that piracy in the IP world has been a strong feature in the region. Optical media piracy has been on the rise globally and Malaysia features prominently as being in the centre of this worldwide network.

In 2000 and 2001, Malaysia was placed on the US government's Priority Watch List largely due to the rising numbers of optical discs being produced, sold and exported from Malaysia.

The Malaysian government did not take this lightly and took steps to strengthen regulation, enforcement and education.

Regulation

The Optical Discs Act

The Optical Discs Act 2000 was one of the legislative initiatives taken to combat the prevailing problem of piracy in Malaysia by imposing a licensing regime on all manufacturers of optical discs.

One of the measures it introduced to control the spread of optical disc piracy was the compulsory marking of codes on all optical discs. However, the Malaysian government soon found itself battling on new fronts when it discovered that pirates were circumventing the law by deleting these codes from the CDs they produced in order to avoid detection.

The government has had to procure state of the art forensic equipment to counter these sophisticated tactics.

At present, licensed optical disc manufacturers are classified into three categories: pre-recorded replication, CD-recordable/DVD-recordable replication and mastering system. Lists of the licensed optical disc manufacturers are readily available at the Enforcement Division of the Ministry of Domestic Trade & Consumer Affairs (MDTCA).

At present, the government has frozen the issue of new licences.

Profile: Karen Abraham



Karen Abraham

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Anti-counterfeiting labels (holograms) - regulating the product

The Trade Descriptions (Original Label) Order 2002, which came into force on January 15 2003 was another attempt to address the problems arising from the ever increasing levels of piracy and counterfeit activities found in movies, music, games software and audio recording industries.

Under the Order, all optical disc products are required to carry "original label" holograms (anti-counterfeiting labels) inside the shrink-wrap of all copies of works distributed in Malaysia (whether manufactured locally or abroad).

These holograms

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are intended to assist the consumer to distinguish between original and pirated products.

The applicant (the copyright owner, his licensee or an authorized person) is required to affix these labels conspicuously on the goods concerned.

The cost of an original label between the period of January 15 2003 to July 14 2003 was fixed at 10 cents (\$0.03) and after July 14 2003 was increased to 20 cents.

Individuals found to have contravened this legislation face fines of up to RM100,000 (\$27,000) or three years in jail.

Up to December 31 2003, the Enforcement Division had received 3487 applications from 1,649 copyright owners and sold 62,168,219 labels valued at RM7,966,402.30 (\$2,096,421).

Price control on DVDs, VCDs & CDs - regulating the prices

In 2003, the government proposed a controversial and unprecedented method in a further attempt to control the piracy problem: optical discs and computer software were categorised as price-controlled items under the Price Control Act 1946.

This proposal was met with much resistance and criticism from across the relevant industry sectors. After months of negotiating with the government, the proposal was confined to implementing a ceiling price on

Enforcement

Number of inspections/raids carried out between April 1 1999 and April 25 2004

Table with 2 columns: Venue, Number of inspections/raids carried out between April 1 1999 and April 25 2004

(Figures courtesy of the Ministry of Domestic Trade and Consumer Affairs)

the sale of locally produced VCDs and CDs in the music and film industries and foreign artist music CDs.

Before this proposal was implemented, general elections were held in March 2004 and it remains to be seen whether the newly appointed minister will invoke this Act to make any such order.

Enforcement

Trade Descriptions Act - enforcing trade mark rights

The Trade Descriptions Act 1972 has long been a popular and powerful means of enforcing trade mark rights. The registered proprietor or common law owner of a trade mark may lodge a complaint with the Ministry of Domestic

Case data and value of seizures (in ringgits) for imitation goods under the Trade Descriptions Act 1972 (From January 1 2000 to December 31 2003)

Table with 8 columns: Year (2000, 2001, 2002, 2003), Case, Value. Rows include Petroleum, Food, Clothing, Medicines, Car parts, Watches, Leather items, Shoes, Spectacles, Video cassettes/video tapes, Optical discs, Electrical items, Miscellaneous, and TOTAL.

(Source: Ministry of Domestic Trade & Consumer Affairs)

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Malaysia: piracy

A history of IP developments

Table with 2 columns: Date, Event. Rows include Copyright Amendment Act 1990, Trade Marks Amendment Act 1994, Copyright Amendment Act 2000, Copyright Amendment Act 2003, Special Anti-Counterfeit Task Force, The Trade Descriptions (Original Label) Order 2002, The Patents (Amendment) Act 2003, Malaysian Network Information Centre (MNYC), VCD Ceiling Price effective date.

Trade and Consumer Affairs (MDTCA) alleging that his trademark has been infringed or passed off.

MDTCA customarily conducts raids on complaints lodged and seizes any infringing items found. Raids are followed by investigation whereupon criminal prosecution may be instituted. Alternatively, a compound may be offered.

Copyright Act - enforcing copyright

The easy access and trading of pirated goods culminated in various legislative changes that imposed stiff penalties upon copyright infringers and repeat offenders.

In the past, the penalties imposed by courts quite simply did not fit the crime. This resulted in an escalation of the number of repeat offenders. The new legislative amendments now increased the minimum and maximum penalties to be imposed for each corresponding infringing copy and/or contrivance used in connection with an infringement.

In addition, the powers of the Enforcement Division of the MDTCA were broadened. The enforcement officers are now able to arrest without a warrant any person reasonably believed to have committed or is attempting to commit a copyright offence.

Task forces

The MDTCA created the Special Copyright Task Force to combat copyright piracy in April 1999 and it has achieved great success. Following this, MDTCA formed the Special Anti-Counterfeit Task Force in March 2002 to focus its efforts on eradicating counterfeit trade mark goods (see table 1).

Members of both these task forces consist of government agencies including MDTCA, Police, Customs, local councils, Film Censorship Board officers, Ministry of International Trade and Industry (MITI) and other IPR

Table 1

Table with 3 columns: Total value of optical discs seized (RM), Number of cases, Number of inspections carried out (August 6 2001 to April 25 2004)

111,617,768 20,206 66,444

Special Copyright Task Force

Table with 3 columns: Total value of counterfeits seized (RM), Number of cases, Number of inspections carried out (January 1 2004 to April 25 2004)

11,513,430 1,095 7,711

associations including the Bureau Software Alliance, Public Performance Malaysia, Recording Industry Association of Malaysia, Motion Picture Association, International Federation of the Phonographic Industry, Music Author's Copyright Protection Berhad.

Special Anti-Counterfeiting Task Force

As part of its activities, the Task Force holds open dialogues with IP owners and IP practitioners to gather feedback on enforcement, coordinate activities, and conduct blitz raids to seize counterfeit and pirated goods.

The Task Force works closely with other governmental agencies such as the police, National Film Development Corporation, the Customs and the Ministry of Health to further enhance its enforcement programmes.

Pirates in Malaysia, however, have also kept pace and have devised methods to avoid detection. Becoming increasingly agile and mobile, the pirate syndicates are able to cross borders, camouflage and transform their trade.

The most effective way of fighting piracy is therefore through inter-governmental and cross-border cooperation. To this end, IP owners can expect more cooperation between the MDTCA's enforcement division and Customs in commencing a border measure programme to ensure enforcement at Malaysia's gateway. The Malaysian Customs and the MDTCA are already cooperating with

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The Ministry has also issued 30,787 awareness letters to businesses during inspections and during an Awareness Campaign

the industries (including freight forwarders and carriers) to monitor exports and seize optical discs bound for export through the installation of X-ray machines to scan and detect these pirated products (see table 2).

Education

The government has also been actively displaying advertisements in the media to educate the public on piracy as part of the Special Copyright Task Force's activities.

The government has organized road shows, including seminars and concerts, together with local music artists to help educate people on IP rights and the crimes associated with piracy. The Ministry has also issued 30,787 awareness letters to businesses during inspections and during an Awareness Campaign. The Awareness Campaign is one of the many programmes carried out from time to time to further educate the public. Through this campaign, the Ministry has worked jointly with copyright owners to send reminder letters and feedback to companies that have been

Table 2

Table with 2 columns: Legislation, Number of cases (April 1 1999 to April 25 2004)

Price Control (Indication of Price By Retailer) Order 1993 4617

Price Control (Labelling by Manufacturers, Importers, Producers or Wholesalers) Order 1980 13,714

Trade Descriptions Act 1972 7,817

Trade Descriptions (Original Label) Order 2002 882

Copyright Act 1987 1,986

Film (Censorship) Act 1952 799

Other laws 44

Optical Discs Act 2000 35

(Statistics: MDTCA)

identified as selling/distributing/using infringing copies of computer software and sound recordings.

Change in strategy

Malaysia's determined efforts to eliminate piracy have been well received internationally. The visibility of pirated goods in Malaysia has been reduced and piracy is less rampant than before. Statistics however now reveal that these products are now reaching international shores thereby raising the new issue as to whether exports should be regulated.

The should Malaysia be compelled to do this when this is not practised elsewhere?

Shearn Delamore & Co. A Century of Legal Services in Malaysia. www.shearndelamore.com. Areas of practice include: Advertising, Anti-Counterfeiting & Anti-Piracy, Consumer Protection, Copyright, Dispute Resolution, Domain names, E-Commerce, Enforcement, Entertainment & Media, Franchise & Gating, Geographical Indications, Industrial Designs, Integrated Circuits, Patents, Privacy & Trade Secrets, Regulatory Approvals For Food & Drug, Telecommunications, Trade Descriptions, Trademarks. Partners: Wong Sai Fong, Karen Abraham, Pauline Khor, Timothy Siau, Zarahain Shuari.

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