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# Anti-counterfeiting 2012

## Malaysia

Contributing firm  
**Shearn Delamore & Co**



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As IP protection, preservation and prosecution continue to be a priority for the government, new acts have been passed to maintain Malaysia's ability to meet global IP rights standards. These include the Patent Regulations (Amendment) 2011 and the Trademarks Regulations (Amendment) 2011 (effective February 15 2011), and the Trade Descriptions Act 2012 (effective November 1 2011). The amendments to the parent Patents, Trademarks and Industrial Designs Acts are due to be tabled in Parliament in March 2012. The Copyright Amendment Act 2012 came into force on March 1 2012.

The year 2012 promises an even more secure IP infrastructure, with the entry into force of the various IP law reforms which are expected to have a significant impact on the commercial trade of counterfeit and pirated goods. However, infringers have become more sophisticated and technically advanced to match the efforts of the

government to battle counterfeiting and piracy. Over the years, the Ministry of Domestic Trade, Cooperatives and Consumerism has stepped up its efforts to combat counterfeiting and piracy and has received significant recognition for the role that it has played in protecting and enforcing IP rights in Malaysia.

**Legal framework**  
Existing legislation commonly invoked in counterfeiting cases includes the following:

- The Trademarks Act 1976 provides a framework for the protection of trademark rights and enforcement through civil redress. The Trademarks (Amendment) Regulations 2011 came into effect on February 15 2011. One of the amendments introduced by the regulations is that an applicant can now ask the registrar to undertake an expedited examination of its application within four months of the date of filing of its application on the basis that infringement proceedings are taking place or there is evidence showing

potential infringement with regard to the applied-for trademark. Therefore, this expedited examination process will be useful in cases where the applicant is seeking to pursue an injunction or infringement, as it will shorten the pending period of trademark applications. The 2011 amendments also reduced the fees for online filing. However, the Trademarks Bill 2010 is still at draft stage. Once the bill has been passed, the definition of 'trademarks' will be extended to cover non-traditional trademarks such as sounds, smells, tastes and shapes. The bill will also be amended to include provisions of the Madrid Protocol.

- The Trade Descriptions Act 1972 was replaced by the Trade Descriptions Act 2011 from November 1 2011. As the Trademarks Act 1976 contains no penal provisions, the new Trade Descriptions Act enables a registered trademark owner to enforce the act's provisions against any infringement. One of the major changes introduced by the new act

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is that the rights holder may apply to the High Court for a trade description order based on a mark that is not identical. Under the new act, the validity period of a trade description order has been reduced to one year (from five years).

- The Copyright Act 1987 provides a framework for the protection of copyright and enforcement through civil and criminal redress, as well as outlining the powers granted to state authorities for the criminal enforcement of copyright and the prosecution of copyright offences. The Copyright Amendment Act 2012 came into force on March 1 2012. The act seeks to establish a Copyright Register; minimum statutory damages of no more than RM25,000 (\$8,621) for each work and no more than RM500,000 (\$172,414) in the aggregate; anti-camcording provisions and the limitation of internet service provider (ISP) liability.
- The Trade Descriptions (Optical Disc Label) Order 2010 serves to protect the film, music, games, software and audio recording industries. Under the order, all optical discs must carry an optical disc label, usually a hologram, issued by the ministry. The holograms must be affixed clearly to the optical disc, its container or other supplied materials.
- The Price Control (Labelling by Manufacturers, Importers, Producers or Wholesalers) Order 1980 makes it an offence to sell a product that does not carry the name and address of the manufacturer, importer, producer, wholesaler and, in the case of imported items, country of origin. The information displayed on counterfeit products is rarely accurate; counterfeiters often use fictitious names and addresses. If these details are incorrect, inadequate or incomplete, the products may be seized by the ministry, which is empowered to enforce such provisions.
- The Optical Discs Act 2000 is designed to combat piracy by imposing a licensing regime on all manufacturers of optical discs. Among the various measures introduced to control the spread of optical disc piracy is the compulsory marking of codes on all optical discs. However, the government has had to fight a new battle, as pirates were circumventing the law by deleting such codes from their discs in order to avoid detection. There are currently calls for the act to be amended to prohibit such removals.

**Border measures**  
Although the Trademarks Act 1976 was amended in 2001 to provide for border measures, these provisions have not been invoked due to the prohibitive requirements that must be satisfied. Despite this obstacle, customs training programmes have proved fruitful, with rights holders introducing brand awareness and strategies to be adopted when seizing counterfeiters at Malaysia's gateways. The Trademarks Bill 2010 promises new provisions for swift and simple enforcement procedures.

**Criminal prosecution**  
The Copyright Act 1987 grants the police and the ministry wide enforcement powers. The act gives both enforcement bodies the power to enter, with a warrant, any premises when there is reasonable cause to suspect that such premises house infringing copies or equipment used to make infringing copies, and to seize such items. Entry can be effected without a warrant if there are reasonable grounds to believe that the infringing copies or equipment might be destroyed or removed from the premises during the time taken to obtain a warrant. The Copyright (Amendment) Act 2012 seeks to extend the police's right to access computerised or digitalised data when carrying out investigations under this provision.

The Trade Descriptions Act is another powerful tool in enforcing trademark rights, enabling the registered proprietor of a trademark to lodge a complaint with the ministry.

Where the infringing mark is identical to the registered mark and there is clear evidence of infringement and/or passing off, a rights holder can pursue an action by lodging a complaint with the ministry, which is vested with the power of arrest, search and seizure without a warrant. Following a raid, the ministry may prosecute the suspected counterfeiters on the advice of the attorney general. If the infringing trademark is not identical to the registered trademark, but can be passed off as the registered trademark, an application for a trade description order may be made at the High Court pursuant to the new Trade Descriptions Act. Such orders are made *ex parte* and declare the infringing trademark to be a false trade description.

**Civil enforcement**  
A civil suit is most appropriate when the identity of the offending party or parties is known and its financial worth and assets are sufficient to pay out damages and costs sought by the rights holder. Several

remedies are available in a civil suit, which are not exclusive. These include:

- interim or permanent injunctions;
- an order for delivery up or destruction of the counterfeits;
- summary judgments; and
- damages or an account of profits

Various types of injunction may be obtained *ex parte*, the impact and intensity of which vary according to their purpose:

- Interlocutory injunctions may be used to stop counterfeiters from continuing their unlawful trade pending trial;
- Anton Piller orders allow rights holders to search for and seize evidence from counterfeiters if it is suspected that they may destroy or dispose of evidence of infringement or passing off; and
- Mareva injunctions are granted to rights holders to restrain infringers from moving their assets out of jurisdiction.

A rights holder may also obtain summary judgment against a defendant where there is no clear defence against its claims.

Rather than embarking on criminal prosecution or a civil suit at first instance, which may prove to be both costly and time consuming, rights holders can opt for pre-emptive measures, such as the following:

- Warning notice – publicly asserting its proprietary rights through various media forewarns the industry and public of the rights holder's seriousness in protecting and enforcing its rights;
- Cease and desist letter – demanding that the counterfeiter cease and desist from continuing the infringing activities is another pre-emptive measure that can be self-funding, as damages and costs may be sought; and
- Undertaking or agreement – a warning letter or demand notice allows a rights holder the opportunity to enter into an agreement with the counterfeiter, which must then undertake not to trade in the counterfeit goods in lieu of civil proceedings.

**Anti-counterfeiting online**  
The anonymity and global nature of the Internet have made this medium an ideal platform for the trade of counterfeit goods. It is hard to trace the entities behind the establishment and operation of websites offering counterfeit goods for sale. There are also practical and economic considerations, as the Internet is flooded with numerous infringers, making counterfeit goods easily accessible. Rights holders face an arduous task when contemplating taking action

against each and everyone of them.

In order to bring an action against a vendor of the counterfeit products, it is vital to gather intelligence in order to identify the source and supply chain of the counterfeit goods. It is prudent to work closely with investigators conducting surveillance and test purchases, in order to gather and preserve evidence to be used in the ensuing enforcement.

On the legislative front, the ministry may invoke Section 5(1)(b) of the Trade Descriptions Act, which states that it is an offence for a person to supply or offer goods to which a false trade description is applied, in order to seize counterfeit goods sold online. A rights holder can further obtain a warrant under the act by liaising with the ministry under the act by obtaining a trade description order empowering it to seize goods imported, exported and traded over the Internet.

The Communications and Multimedia Act 1998 creates a licensing system and defines the roles and responsibilities of those providing communication and multimedia services. The act prohibits a content application service provider from providing content which is obscene, obscene, false, menacing or offensive in character with the intent to annoy, abuse, threaten or harass any person.

The Copyright (Amendment) Act 2012 aims to remove legal uncertainty and limit the liability of ISPs for the transient storage of copyrighted works. The proposed amendments will provide immunity to ISPs for:

- the transmission or routing of, or the provision of connection to, an electronic copy of a work through the ISP's primary network;
- system caching; and
- storage and information location tools.

Under the amendment act, a copyright owner whose work has been infringed will notify the ISP in a manner as prescribed under the act, requiring the ISP to remove or disable any access to the electronic copy on its network. The notice must include an undertaking to compensate the ISP for any damages, loss or liability arising from compliance with such notification. The ISP must remove the infringing electronic copy from its network within 48 hours of receiving notification. There are provisions for the party whose electronic copy of the work was removed to issue a counter-notification in a manner to be determined under the act, with a statement under penalty of perjury that the takedown notice for removal was issued as a result of a

mistake or misidentification of the material.

**Competition Act**  
Antitrust laws were introduced in Malaysia with the passage of the Competition Act 2010. The act came into effect on January 1 2012. Three categories of anti-competitive conduct are prohibited by the act:

- horizontal agreements with anti-competitive effect;
- vertical agreements with anti-competitive effect; and
- abuse of a dominant position.

It will be interesting to see how the Competition Act and IP law will complement each other for the benefit of consumers. Generally, the main ideas of both sets of law appear to conflict as IP rights entitles a rights holder to monopolise the use of its IP assets, while competition law seeks to avoid any barriers to market entry.

**Preventive measures/strategies Education**  
The Malaysian government has received strong support from copyright industries in promoting greater awareness of the threat posed by counterfeiting and copyright piracy. Together with the government, these industries have organised and devoted their resources to training, workshops and public awareness activities, including organising 'sales carnivals' to promote and sell original items under various brands at competitive prices. Roadshows on piracy have been held at schools to inform students of the consequences of copyright infringement.

**Fiat**  
Rights holders should also lobby for the revival of *fiat*, which can be granted by the attorney general. Under this proposal, a rights holder could appoint an advocate to represent it in the prosecution of its criminal case (the advocate would step into the shoes of the public prosecutor). This system would enable a rights holder to appoint counsel and use their resources, expertise and knowledge to bring infringers to justice – unlike public prosecutors, who can lack the necessary technical expertise. Advocates equipped with knowledge and resources in their field of expertise would certainly have an advantage in prosecuting infringers. This system would also reduce the protracted delay faced by rights holders in the prosecution process.

**Trans-Pacific Partnership**  
Malaysia is involved in the Trans-Pacific Partnership negotiations involving the

United States, Australia, Brunei, Chile, New Zealand, Peru, Singapore and Vietnam. One of the objectives of the negotiations is a high-level IP chapter, which would extend copyright protection, impose high-level enforcement standards and deal with pharmaceuticals and access to medicines.

**Basket of Brands**  
On October 20 2011 the ministry officially launched the Basket of Brands (BOB) scheme to protect companies against copyright infringement. Reportedly, more than 20 owners of 40 brands are taking part in the scheme; these brand owners will be given priority to follow up and verify the seizures of counterfeit goods. The brand owners are from a broad spectrum of industries and include global clothing, sportswear, liquor, car parts and pharmaceutical brands. The documents that must be furnished in order to qualify for the BOB scheme include:

- the registration certificate;
- a trade description order;
- a letter of authorisation from the registered trademark owner in the event that the trademark owner is represented by an agent; and
- a signed undertaking to cooperate in completing the investigation for infringing registered trademark cases.

The BOB scheme also aims to enhance the awareness of university students by encouraging them to become anti-piracy friends and intermediaries between institutions of higher learning and the ministry, through providing information, suggestions and comments in an effort to curb piracy and counterfeiting.

**Conclusion**  
Malaysia's determined efforts in eliminating piracy have been widely applauded on the international front. The Malaysian government has been stepping up its battles with counterfeiters who are constantly finding ways to circumvent the law by ensuring that the legal infrastructure is updated accordingly in order to confer legitimate protection for those whose IP rights have been violated and are being wronged. [\[1\]](#)

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Karen Abraham is an advocate and solicitor for Malaysia and South Australia. She jointly heads Shearn Delamore & Co's IP and IT departments. She is a director of the board of the International Trademark Association (INTA), and assistant secretary general of the International Association for the Protection of Intellectual Property. Ms Abraham's practice covers both litigation and advisory matters relating to intellectual property and information technology. She has crafted brand management programmes for leading multinational companies throughout the world, and designed anti-counterfeiting and anti-piracy programmes and strategies for some of the largest local and global IP brands. She has actively advocated mediation of IP disputes in Malaysia and has been appointed to INTA's Panel of Neutrals. She is the author of several international publications and has presented papers at conferences organised by leading international IP organisations and associations.



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