

World  
Trademark  
Review

# Anti-counterfeiting 2017



Malaysia  
Shearn Delamore & Co  
*Karen Abraham and Janet Toh*

## A Global Guide



中国外商投资企业协会  
优质品牌保护委员会  
QUALITY BRANDS PROTECTION COMMITTEE OF CHINA  
ASSOCIATION OF ENTERPRISES WITH FOREIGN INVESTMENT



# Malaysia

Shearn Delamore & Co



## Authors

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Malaysia remains committed to strengthening and enforcing its IP laws in order to improve domestic socio-economic development. The country's efforts in fighting piracy and counterfeiting – which include improved legislation and enforcement – have won it praise. The inter-agency Special Anti-piracy Taskforce has been applauded for its efforts in “detering and preventing infringing distribution networks”. Malaysia's global ranking in the International Property Rights Index also improved, from 28th in 2015 to 26th in 2016, out of 128 countries.

Malaysia was one of the 12 countries to sign the Trans-Pacific Partnership (TPP) Agreement on February 4 2016. However, it is no longer certain whether Malaysia will carry on with the agreement in light of the United States' withdrawal from the trade pact. The failure of the TPP Agreement will be a disappointment to Malaysia, as it had anticipated gaining greater market access for its products and services through the agreement.

While the fate of the TPP Agreement remains uncertain, on the IP front, Malaysia has pledged to maintain its commitment

to update its domestic IP laws in order to facilitate trade and fulfil its international obligations. Heated discussions have also taken place in the past year on emerging IP issues, such as plain packaging for tobacco products. In February 2016 it was announced that the Ministry of Health was considering gradually introducing a plain packaging policy, but the news was met with strong resistance. On March 21 2016 the health minister announced that no implementation date would be announced until talks with tobacco companies on IP rights had concluded. It has been unclear as to when or whether the government will move forward with plain packaging for cigarettes.

In its operations to eradicate piracy, the Ministry of Domestic Trade, Cooperatives and Consumerism inspected a total of 948 premises nationwide from January to November 2016, resulting in 142 cases initiated under the Copyright Act 1987. In relation to false trade descriptions under the Trade Descriptions Act 2011, 1,519 cases were reported and more than \$3 million worth of goods were confiscated during the same period.

Despite Malaysia's success in improving IP enforcement, key issues remain, such as the widespread availability of pirated and counterfeit products, the high rate of online piracy and continued problems with book piracy. In addition, as the country prepares to begin the process of digital transformation, the importance of data privacy, security and intellectual property cannot be underestimated. Companies should vigorously protect their intellectual property to ensure that it is not jeopardised in the fast-moving digital world.

### Legal framework

Malaysia has a plethora of laws which provide for protection and enforcement in counterfeiting cases, including the following:

- Trademarks Act 1976 – this provides a framework for the protection of trademark rights and enforcement through civil redress. Malaysia still has to accede to the Madrid Protocol, and is currently revamping its Trademarks Act. The timeline for the law to be in place is by the end of 2017 or the first quarter of 2018. In preparation to implement the protocol, the Malaysian Intellectual Property Office (MyIPO) has already introduced electronic applications for the filing and maintenance of trademarks, as well as a publicly available electronic information system via an online database of trademark applications and registrations. With the amendment to the Trademarks Act, it is anticipated that brand owners will enjoy broader protection, including for colours, sounds and scents. Further, the newly amended Trademarks Act is expected to address issues such as IP monetisation.
- Trade Descriptions Act 2011 – this came into force on November 1 2011 and provides for criminal enforcement against infringement. A trade description order is a declaratory order granted by a High Court (civil jurisdiction) pronouncing a specific offending mark as a false trade description if it resembles the registered proprietor's trademark to an extent that is likely to deceive or cause confusion. The trade description order may be issued *ex parte*, although recent decisions illustrate the courts' reluctance to do this. Once granted, a trade description order is valid for one year and can be renewed. A trade description order is admissible as evidence in any proceedings under the act as conclusive proof of a false trade description. Under the act, only a registered owner of a registered trademark can apply for a trade description order. Another notable feature is that the evidence of agent provocateurs is now admissible in court.
- Copyright (Amendment) Act 2012 – this came into force on March 1 2012. It introduces provisions on statutory damages, a prohibition on recording inside a cinema and the circumvention of technological protection measures, establishment of a notice and takedown system for online infringements, and provides that rights holders' can voluntarily register their works with the registrar of copyright on payment of the



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prescribed fees. As of October 2016, 2,852 voluntary copyright notifications have been filed with MyIPO.

- Trade Description (Optical Disc Label) Order 2010 – this was introduced as part of the government’s effort to eradicate copyright piracy and protect intellectual property in Malaysia. All optical discs carrying content and intended for trade or business must carry original optical disc labels issued by the Ministry of Domestic Trade, Cooperatives and Consumerism to eligible applicants. The labels must be placed in a conspicuous place, either on the optical disc or on its container. It is an offence to supply optical discs without labels or to produce fake labels. The penalty for a first offence is a maximum fine of RM100,000, with imprisonment for up to three years or both. Around 301 cases were charged under the Trade Description (Optical Disc Label) Order 2010 between January and October 2016.
- Price Control (Labelling by Manufacturers, Importers, Producers or Wholesalers) Order 1980 – this makes it mandatory for goods to carry details of the manufacturer, importer, wholesaler, producer and – in the case of imported goods – country of origin. These details on counterfeit goods are normally fictitious or inaccurate. If so, such products may be seized by the ministry, which is empowered to enforce such provisions under the order.
- Optical Disc Act 2000 and Optical Disc Regulations 2000 – these were enacted to prohibit all forms of optical disc piracy and fraudulent activities. The legislation stipulates that manufacturers of optical discs must obtain a licence pursuant to the Optical Disc Act 2000 and the licensee must mark each optical disc with a manufacturer’s code assigned to it so that infringing copies can be easily identified. However, the problem facing the government and enforcement agents is that offenders are deleting the codes from the discs in order to avoid detection. Although there are provisions in the act to prevent the falsification of manufacturer codes, the Optical Disc Act can be improved to prohibit the removal or deletion of codes from discs.

### Border measures

The Trademarks Act 1976 empowers Customs and rights holders to take action at the border. However, to date, these provisions have not been invoked due to the many onerous prerequisites and criteria which must be fulfilled in order for the complainant to make an application to the registrar of trademarks. Under the act, the complainant must provide detailed information on the suspected counterfeit shipments (eg, estimated date and time of arrival of the suspect cargo, the ship name or number and the container number). These requirements often prevent complaints from being lodged, as most of this information is inaccessible. It is hoped that the much-anticipated amended Trademarks Act will address these shortcomings and improve border enforcement and customs procedures.

### Criminal prosecution

The Copyright Act 1987 grants the police and the Ministry of Domestic Trade, Cooperatives and Consumerism wide enforcement powers. It empowers both enforcement bodies to enter any premises where there is reasonable cause to suspect that there are infringing goods or equipment for making such goods, and to seize such goods or equipment with a warrant. Seizures can be effected without a warrant if there are reasonable grounds to believe that the infringing goods or equipment may be destroyed or removed from the premises due to a delay in obtaining a warrant. The Copyright (Amendment) Act 2012 has extended the right of the police to gain access to computerised or digitalised data when carrying out investigations.

The Trade Descriptions Act is another powerful tool for enforcing trademark rights, which enables the registered owner of a trademark to lodge complaints with the ministry. Where an infringing mark is identical to a registered mark and there is clear evidence of infringement or passing off, rights holders can pursue an action by lodging a complaint with the ministry, which is vested with the power of arrest and search and seizure without a warrant. Following a raid, the ministry may prosecute the suspected counterfeiters on the advice of the attorney general’s chambers.



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Karen Abraham jointly heads the IP and IT department of Shearn Delamore. She has more than 25 years of IP experience covering litigation, mediation, enforcement and brand consultation and management relating to the full gamut of IP-related matters. She was appointed a director of the board of the International Trademark Association (2011-2013) and is currently the assistant secretary general of the International Association for the Protection of Intellectual Property. She has crafted brand management programmes for leading multinational companies 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.



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Janet Toh is a partner in the IP department of Shearn Delamore. Her main practice areas are intellectual property, information technology and personal data. She has reviewed and drafted a wide range of IP agreements, including distributorship, licensing and franchising for major corporations. She has advised clients on IP protection and ownership issues, advertising issues, consumer protection, copyright, domain names, e-commerce, franchises, gaming, regulatory approvals for food and drug and telecommunications issues. Ms Toh's portfolio of clients includes multinational companies in the pharmaceutical, oleochemical, internet, healthcare, electric utility and tobacco industries. She has spoken at conferences and seminars on IP matters and the Personal Data Protection Act 2010. She was formerly president of the Malaysian chapter of the Licensing Executives Society.

### Civil enforcement

A civil suit is most appropriate when the identity of the key offending party is known and its financial worth and assets are sufficient to pay the damages and costs sought by the rights holder. Several remedies are offered in a civil suit, which are not necessarily exclusive and may be granted concurrently by the courts. These include:

- interim or permanent injunctions;
- an order for delivery up or destruction of the counterfeit goods;

- 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 dissipating their assets out of jurisdiction.

A rights holder may also obtain summary judgment against a defendant where there is no clear defence against the rights holder's 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, including the following:

- Warning notices – 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 letters – demanding that the counterfeiter cease and desist its infringing activities is another pre-emptive measure which can be self-funding, as damages and costs may be sought; and
- Undertakings/agreements – a warning letter or demand notice gives the rights holder the opportunity to enter into agreements with counterfeiters, which are then compelled to cease trading in the counterfeit goods in lieu of civil proceedings.

### **Anti-counterfeiting online**

Malaysia reportedly has nearly 21 million internet users among its 30 million-strong population. The Internet has taken globalisation to a new level, making it an ideal platform for the sale of counterfeit goods. Piracy in Malaysia is no longer confined to physical media in optical disc formats (eg, CD-Rs and DVD-Rs). Piracy has also diversified into online piracy through illegal copying and dissemination of copyrighted music or videos over digital platforms.

In response to the rise in business models for online platforms, the enforcement division of the Ministry of Domestic Trade, Cooperatives and Consumerism has established a specialised IP enforcement forensic unit to monitor websites which offer online counterfeit and pirated materials. The establishment of a special internet forensics unit has proven to be an important catalyst

in Malaysia's fight against counterfeiting and piracy. The division works together with other agencies – such as Customs, the police and the Malaysian Communications and Multimedia Commission – in dealing with hardcore perpetrators.

In terms of legislative provisions, the ministry may invoke its powers under Section 5(1)(b) of the Trade Descriptions Act 2011 – which states that it is an offence for any party to supply or offer to supply any goods to which a false trade description is applied – in order to seize counterfeit goods that are sold online. Further, rights holders may obtain a trade description order in order to seize counterfeit goods which are imported, exported and traded over the Internet. The Communications and Multimedia Act 1998 also provides an avenue for rights holders to protect their rights. The act created a licensing system and defines the roles and responsibilities of those providing communication and multimedia services. It prohibits a content application service provider from providing content which is indecent, obscene, false, menacing or offensive in character, or which is intended to annoy, abuse, threaten or harass any person.

Pursuant to the Copyright Amendment Act 2012, an internet service provider (ISP) can now be put on notice through the copyright owner's written notification of claimed infringement to the ISP's designated agent. The manner in which notification must be given is not specified in the Copyright Amendment Act, but the notification must definitively provide an undertaking to compensate the ISP or any other party against any damages, loss or liability arising from the ISP's compliance. If a notice which substantially complies with these requirements is received, the ISP must remove or disable access to the allegedly infringing material no later than 48 hours from receipt of the notification. The ISP must seek clarification from the copyright owner of any unclear aspects within the 48-hour deadline.

The Personal Data Protection Act 2010 came into force on November 15 2013. Online operators must now be careful when collecting customers' personal data, as the act regulates the processing of this in commercial transactions.



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#### **Preventive measures/strategies**

##### **Basket of Brands**

The Ministry of Domestic Trade, Cooperatives and Consumerism launched the Basket of Brands programme in 2011 to give trademark owners which register their brands with the ministry priority with regard to the initiation of enforcement actions and the prosecution of trademark infringement cases through the implementation of a central database. As of December 31 2013, the ministry reported that 32 brand owners and 214 brands had registered under the programme. The success of this scheme has enabled the ministry to tackle problems stemming from piracy and counterfeiting. As part of the registration process, trademark owners must indicate that they will cooperate fully with the investigation and prosecution of infringement cases, including carrying out verifications of seized goods and submitting verification reports in a timely manner.

The Basket of Brands scheme reflects the government's strong stand against piracy and counterfeiting. It is intended to save rights holders time and money, as the ministry conducts proactive and effective measures on its own initiative. In order to qualify for the scheme, the following documents must be lodged with the ministry:

- the registration certificates of the relevant marks;
- a trade description order; and
- a letter of authorisation from the registered trademark owner, if it is represented by an agent.

##### **ASEAN Economic Community**

The Association of Southeast Asian Nations (ASEAN) Working Group on Intellectual Property Cooperation is the sectoral group responsible for IP issues in the region. Malaysia is a member of the group, which was established in 1996 pursuant to the 1995 ASEAN Framework Agreement. Among the initiatives undertaken as part of the 2011-2015 IP Rights Action Plan is the implementation of the ASEAN Patent Examination Cooperation programme, of which Malaysia is a member. Further, in efforts to accelerate the ASEAN Economic Community, Malaysia has increased its participation in regional collaboration to streamline IP protection within ASEAN member states.

##### **Intellectual property as security**

Malaysia started IP valuation training in March 2013 to train local IP valuers through comprehensive modules – ranging from introduction of IP rights to methods of valuation, IP negotiation and IP management, drafting of practical valuation reports and sharing of international experience. This was followed by the IP Valuation Model, which provides guidelines to financiers on quantifying and assessing IP assets.

To complement the IP ecosystem, the IP Rights Marketplace portal was launched in 2014 to connect individuals, investors and businesses with rights holders for the purpose of commercialising and trading IP rights. MyIPO has since launched the Roadmap for IP

Monetisation as a way to increase Malaysia's revenue and transform its economy. MyIPO also launched the IP Funtastic Programme Module in 2016 as part of its initiative to educate and create awareness on intellectual property among young entrepreneurs. This included the establishment of an IP portal for young entrepreneurs to share and discuss their innovative ideas.

### **Regional Cooperation Economic Partnership**

Malaysia is also a member of the Regional Comprehensive Economic Partnership (RCEP). Should the TPP Agreement trade deal collapse, it is possible that TPP signatories that are members of RCEP – including Malaysia – will push for TPP-like provisions to facilitate the best possible outcome.

The RCEP negotiation was launched during the 21st ASEAN summit in Phnom Penh, Cambodia in November 2012. RCEP participants include the ASEAN member states, China, Korea, Japan, India, Australia and New Zealand and the partnership is ASEAN led. The RCEP aims to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement among its members. It also aims to bring together the 16 countries into a cohesive economic partnership with an emphasis on

promoting inclusive and equitable growth by streamlining and integrating the ASEAN+1 free trade agreements into a single, more coherent trade and investment architecture in the region. Of late, TPP member states such as Peru and Chile have also shown interest in joining the RCEP. If accomplished, RCEP would pave the way for the creation of the largest free trade bloc in the world, covering 45% of the world's population with a combined gross domestic product of more than \$17 trillion and accounting for over 40% of global trade.

The legally binding RCEP covers a wide range of issues, including trade in goods and services, investment, IP rights, competition policy, dispute settlement and economic and technical cooperation. **WTR**

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