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Newsletter

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EMPLOYMENT LAW

IN THIS ISSUE

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Sexual Harassment in the Workplace

IN THIS ARTICLE, VIJAYAN VENUGOPAL DISCUSSES EDWIN MICHAEL JALLEH V FREESCALE SEMICONDUCTOR MALAYSIA SDN BHD[1] ON THE RIGHT TO DISMISS AN EMPLOYEE FOR SEXUAL HARASSMENT.

Introduction

A recent decision of the Malaysian courts has indicated that even where an employee is guilty of sexual harassment, the punishment of dismissal could still be deemed to be too harsh in all the circumstances.

The decision has significant implications for employers in this country, particularly as many multinationals practise a "zero-tolerance" policy when it comes to sexual harassment. It was previously accepted that sexual harassment, once proven, would justify a dismissal but in light of this decision, this may no longer hold true.

Facts of the Case

Edwin Michael Jalleh ("the Claimant") was employed as a senior manufacturing supervisor at an electronics company which was owned by Freescale Semiconductor Sdn Bhd ("the company"). He joined the company on 23 July 1983 and was dismissed on 6 April 2005, after more than 20 years of service.

The grounds of dismissal were that he had deliberately "touched/pat/smacked" a female employee of the company on her buttocks. The incident took place in the afternoon on the factory floor in the presence of other factory operators.

The Claimant was an older man and the victim was, unsurprisingly, a young female factory worker. The claimant worked as a supervisor in the factory but was not the direct supervisor of the victim.

She was standing in front of her mounting table writing on the mylar when she felt someone slap her buttocks. The victim screamed and turned around, and saw the Claimant standing behind her. She scolded the Claimant and told him "jangan lebih-lebih" (not to take advantage). The Claimant smiled and left the area. The victim reported the incident to the management.

The evidence of the victim was corroborated by several other employees who were present at the time of the incident – one of whom actually saw the Claimant slap the victim on her buttocks.

The Claimant, on the other hand, protested his innocence. He denied the allegation and claimed that the Manufacturing Manager of the company held a grudge against him for a past slight and had accordingly plotted with the victim and instigated her to make a false allegation against him.

The Industrial Court

Needless to say, there were two rather different versions of events from the Claimant and the victim. The Industrial Court believed the evidence of the victim and was of the view that the Claimant had indeed slapped the victim on her buttocks. The Industrial Court was of the view that the very act of the Claimant in slapping the buttocks of the victim was an act of sexual harassment as the "buttocks is a sensitive and private part of the anatomy". The Industrial Court also did not believe the Claimant's contention that the Manufacturing Manager had instigated the victim to make a complaint against him. The Industrial Court further held that the actions of the Claimant constituted a "grave and serious misconduct".

At this point, one might well conclude that the Industrial Court accordingly found the dismissal of the Claimant to have been with just cause or excuse, especially after having reached the conclusion that the Claimant was effectively lying to the court about what had transpired during the incident. Conversely, however, the Industrial Court proceeded to hold that the punishment of dismissal was too harsh and found that the Claimant was consequently dismissed without just cause or excuse!

According to the Industrial Court, the incident happened in an open area on the factory floor and as the victim was attired in knee-length smocks the flesh of the victim was "not violated by the Claimant as it was protected by layers of cloth" and it was not a prolonged act as the entire act of slapping the victim on her buttocks would only have taken a few seconds.

Based on this reasoning, as well as taking into account the character evidence given on behalf of the Claimant, the Industrial Court found the punishment of dismissal was too harsh in the circumstances and was accordingly without just cause or excuse. The Industrial Court ordered the company to pay the Claimant the sum of RM248,768 as backwages and compensation in lieu of reinstatement.

The High Court

The company, being dissatisfied with the decision of the Industrial Court, applied to the High Court for an order of *certiorari* to quash the impugned decision (it is not possible to appeal against a decision of the Industrial Court and hence the company was obliged to apply for an order of *certiorari* instead). The High Court considered the matter but ultimately dismissed the application for *certiorari*, thereby re-affirming the decision of the Industrial Court.

The decision of the High Court was handed down on 25 February 2010. The company has since filed an appeal to the Court of Appeal and is currently waiting for the matter to be heard by the Court of Appeal. The company was able to obtain a stay order from the High Court on 30 April 2010 to defer the payment of the monies to the Claimant, subject to such monies being paid into a joint-solicitors account, pending the decision of the Court of Appeal.

The High Court has, to date, not yet furnished the parties with the written grounds for its decision.

Implications

The reasoning of the Industrial Court in believing the victim, but still ruling in favour of the Claimant has placed employers in a very awkward position.

In the event that an employer fails to take severe disciplinary action against an employee who has been guilty of sexual harassment, he runs the risk of the victim claiming constructive dismissal. If he dismisses the accused, he runs the risk of the courts finding that the charges are not proven. Now, as a result of this decision, even where the charges are proven, an employer may find that the courts view that dismissal is too harsh a punishment even for proven cases of sexual harassment.

An employer is obliged to provide a safe working environment for all his employees. This decision appears to suggest, however, that this obligation does not extend to dismissing a man who slaps the buttocks of a woman who is more junior in rank than he at the workplace. The justification provided by the Industrial Court that the flesh of the victim was "not violated by the Claimant as it was protected by layers of cloth" is spurious at best particularly when the Industrial Court itself recognised that the buttocks is a sensitive and private part of the anatomy.

Furthermore, the argument by the Industrial Court that it was not a prolonged act as the entire act of slapping the victim on her buttocks would only have taken a few seconds, is a red herring because the Industrial Court was also of the view that the actions of the Claimant in this particular case constituted a "grave and serious misconduct".

As the High Court has affirmed the Industrial Court's decision, this now represents the law of the land and would be binding on other divisions of the Industrial Court.

Until and unless the position is reversed by the Court of Appeal, employers must tread very carefully in this area and consider whether dismissing an employee who has been guilty of sexual harassment is too harsh in all the circumstances.

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[1] [2008] 2 LNS 2160

FINANCIAL SERVICES

Whistleblower Protection Act 2010

In this article, Chen Lee Won analyses some of the provisions in the Whistleblower Protection Act 2010.

The Prime Minister, when tabling the 2010 Budget in October 2009, had announced that whistleblower legislation will be formulated to encourage informers to expose corrupt practices and other misconduct. The formulation of this legislation was one of the measures taken in the implementation of the National Key Results Areas to eliminate corruption.

The Whistleblower Protection Act 2010 ("the Act") was passed by the Parliament in April 2010. It has not come into force as the date of commencement of this Act has not been gazetted.

The purpose of the Act is to combat corruption and other wrongdoings by encouraging and facilitating disclosures of improper conduct in the public and private sectors.

Under the Act, a whistleblower may make disclosure of improper conduct to any enforcement agency[1] based on his reasonable belief that any person has engaged, is engaging or is preparing to engage in improper conduct[2], provided that such disclosure is not specifically prohibited by any written law. The enforcement agency shall then conduct its findings and recommendations in respect of any further steps that need to be taken. If the conduct constitutes a disciplinary offence, the enforcement agency may make a recommendation for disciplinary proceedings to be initiated. If the improper conduct constitutes a criminal offence and the Public Prosecutor decides to prosecute, the enforcement agency shall obtain periodic reporting until the matter is disposed of. Alternatively, the enforcement agency will inform the whistleblower if the Public Prosecutor decides not to prosecute.

Upon receipt by an enforcement agency of any disclosure of improper conduct, the whistleblower is given protection of confidentiality, immunity from civil and criminal action and protection against detrimental action. Detrimental action is very widely defined to include action causing injury, loss or damage, intimidation or harassment, interference with the lawful employment or livelihood of any person, including discrimination, discharge, demotion, suspension, disadvantage, termination or adverse treatment in relation to a person's employment, career, profession, trade or business or the taking of disciplinary action or a threat to take any of the foregoing actions. The Act confers the right upon the enforcement agency to investigate if it receives any complaint of detrimental action against a whistleblower.

Nonetheless, the whistleblower protection may be revoked if, in the opinion of the enforcement agency, based on its investigation, amongst others, the whistleblower himself has participated in the improper conduct disclosed, the disclosure was made wilfully or is frivolous and vexatious or involves questioning the merits of government policy, including policy of a public body or was made solely or substantially with the motive of avoiding dismissal or other disciplinary action or the whistleblower, in the course of making the disclosure or providing further information, commits an offence under the Act.

A whistleblower may receive rewards as the Act empowers an enforcement agency to order such reward as it deems fit. On the other hand, a whistleblower who wilfully makes in his disclosure of improper conduct or complaint of detrimental action, a material statement which he knew or believed to be false or did not believe to be true commits an offence under the Act.

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[1] Enforcement agency means any ministry, department, agency or other body set up by the Federal Government, State Government or local government including a unit, section, division, department or agency of such ministry, department, agency or body, conferred with investigation and enforcement functions by any written law or having investigation and enforcement powers, a body established by a Federal law or State law which is conferred with investigation and enforcement functions by that Federal law or State law or any other written law; or a unit, section, division, department or agency of a body established by a Federal law or State law having investigation and enforcement functions.

[2] Improper conduct means any conduct which if proved, constitutes a disciplinary offence or a criminal office. "Disciplinary conduct" is, in turn, defined to mean any action or omission which constitutes a breach of discipline in any public body or private body as provided by law or in a code of conduct, a code of ethics or circulars or a contract of employment, as the case may be.

TAX LAW

Withholding Tax on Section 4(f) Income

IN THIS ARTICLE, FOONG PUI CHI EXAMINES THE SCOPE OF SECTION 4(F) OF THE INCOME TAX ACT 1967 IN LIGHT OF THE RECENT PUBLIC RULING[1] ON WITHHOLDING TAX ON INCOME UNDER SECTION 4(F)[2] ("SECTION 4(F) PUBLIC RULING").

Introduction

Under the Income Tax Act 1967 ("ITA"), certain payments made to non-residents are subject to withholding tax, including payments of royalty, interest, amounts paid in consideration of technical advice, assistance or services and rent or other payments made for the use of any moveable property.

With effect from 1 January 2009, Parliament sought to enlarge the scope of withholding tax by enacting section 109F[3] which was introduced in the Finance Act 2009. Section 109F reads as follows:

> *"**109F. Deduction of tax from gains or profits in certain cases derived from Malaysia***
>
> *(1) Where any person (in this section referred to as "the payer") is liable to make payments to a non-resident in relation to any gains or profits falling under paragraph 4(f) which is derived from Malaysia, he shall upon paying and crediting such payments deduct therefrom tax at the rate applicable to such payments, and (whether or not that tax is so deducted) shall within one month after paying or crediting such payments render an account and pay the amount of that tax to the Director General…"* (emphasis added)

Section 4 of the ITA reads as follows:

> *"**4. Classes of income on which tax is chargeable.***
>
> *Subject to this Act, the income upon which tax is chargeable under this Act is income in respect of –*
>
> (a) *gains or profits from a business, for whatever period of time carried on;*
>
> (b) *gains or profits from an employment;*
>
> (c) *dividends, interest or discounts;*
>
> (d) *rents, royalties or premiums;*
>
> (e) *pensions, annuities or other periodical payments not falling under any of the foregoing paragraphs;*
>
> (f) *gains or profits not falling under any of the foregoing paragraphs*."
> (emphasis added)

Accordingly, section 109F would subject to withholding tax "gains or profits not falling under any of the foregoing paragraphs", that is, income not otherwise covered under paragraphs 4(a) to (e) ("section 4(f) income").

The question is what constitutes section 4(f) income?

In order to determine whether a particular payment falls within section 4(f), one is first required to ascertain whether that payment is caught by paragraphs (a), (b), (c), (d) or (e) in section 4.

Budget Speech and Public Ruling

When introducing the new amendment in the 2009 Budget[4], it was indicated that section 4(f) income includes commissions, guarantee fees and introducer's fees. The Director General of Inland Revenue ("DGIR") through the issuance of the section 4(f) Public Ruling also appears to take that position, without any explanation or basis as to why these particular types of receipts have been singled out.

In paragraph 4.3 of the section 4(f) Public Ruling, the DGIR has also set out certain factors to be considered in relation to section 4(f) income:

- the payment is revenue and not capital in nature;
- the payment is not income that falls under sections 4(a) to 4(e) and section 4A of the ITA;
- the payment received by a non-resident is in the nature of a miscellaneous income. Such income is often casual in nature and casual income means an occasional income, which is received outside the ordinary course of trade or vocation;
- the payment is for an isolated transaction; and
- there is an absence of repetition of transactions to indicate the commercial nature of the transaction.

Based on the examples given in the section 4(f) Public Ruling, the DGIR appears to take the view that "commission" received outside the ordinary course of business would not form part of the non-resident's business or trading activity and hence, such income should be regarded as constituting section 4(f) income. On the other hand, if the "commission" is received in the ordinary course of business of the non-resident, the DGIR is of the view that the same would be classified as business income, not falling under section 4(f).

In relation to "guarantee fee", the DGIR appears to take the view that guarantee fees would be subjected to withholding tax if they constitute casual income which does not fall under paragraphs (a) to (e) of section 4 or section 4A of the ITA and where such income is received outside the ordinary course of business of the non-resident.

Substance over Form

From the examples set out in the section 4(f) Public Ruling, it appears that the DGIR has identified "commission" and "guarantee fee" as the most common types of payment to be associated with section 4(f). However, this should not mean that every item labelled as "commission" or "guarantee fee" must inevitably be caught by section 4(f) of the ITA as this would be tantamount to giving precedence to form over substance. Many business deals and commercial transactions nowadays are far more complex than the examples provided in the section 4(f) Public Ruling. The nature and purpose of payments made to non-residents should be carefully determined as labels are not always conclusive or descriptively accurate.

Income from Isolated Transactions

It also appears from the section 4(f) Public Ruling that the DGIR has taken the view that if a payment arises from a single isolated transaction, it would be caught under section 4(f). Such a view, however, may be somewhat superficial as case law has demonstrated that even income from an isolated transaction may be considered as business income falling under section 4(a) on the basis that it is an adventure in the nature of trade.

Conclusion

The section 4(f) Public Ruling merely sets out the interpretation of the DGIR and the scope of section 4(f) is not as clear cut as the section 4(f) Public Ruling seeks to portray and it remains open for taxpayers to take a contrary view depending on the facts and circumstances of the transaction.

Conversely, the examples provided in the section 4(f) Public Ruling are in no way exhaustive as there may be other types of payment which may well be caught by the withholding tax net vide section 109F of the ITA as section 4(f), being a residual/miscellaneous category of income, is not meant to be restrictive. It remains to be seen what other types of payment would come within this category.

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[1] A Public Ruling is issued for the purpose of providing guidance to the public and officers of the Inland Revenue Board of Malaysia, setting out the interpretation of the DGIR as to how any existing provision of the ITA applies or would apply to any person or class of persons, or any type of arrangement. See section 138A of the Income Tax Act 1967.

[2] Public Ruling No. 1 of 2010 – this Public Ruling was issued on 19 April 2010 but is deemed to be effective from 1 January 2009.

[3] Section 109F of the ITA was inserted by section 37 of the Finance Act 2009.

[4] Tabled in Parliament on 29 August 2008

Competition Law in Malaysia

IN THIS ARTICLE, AARON GERARD SANKAR PROVIDES AN OVERVIEW OF THE RECENTLY PASSED COMPETITION BILL 2010 AND THE COMPETITION COMMISSION BILL 2010.

Introduction

The Parliament of Malaysia recently passed the Competition Bill 2010 and Competition Commission Bill 2010 (collectively, the "Bills"), which is Malaysia's first legislative enactment aimed at creating an all-encompassing body of competition law. The Bills have yet to become law and will only take effect once gazetted. It is anticipated that the Bills will come into force before the end of 2011[1].

The Competition Commission Bill 2010 (the "Commission Bill")

The Commission Bill establishes a Competition Commission ("Commission"), a body corporate that comes within the purview of the Minister of Domestic Trade, Co-operatives & Consumerism. The Commission will comprise members appointed by the Prime Minister which includes a Chairman, four members representing the Government (one of whom shall be a representative from the Ministry of Domestic Trade, Co-operatives & Consumerism) and between three to five members with experience in matters relating to business, industry, commerce, economics, law, public administration, consumer protection or competition.

The Commission's primary function appears to be the implementation and enforcement of competition laws in Malaysia. It will also act as adviser to public or regulatory authorities on all matters relating to competition. The Commission is further empowered to, amongst others, impose penalties for the infringement of competition laws and to require enterprises[2] to furnish information for the purpose of rendering assistance to the Commission in the performance of its functions. Additional powers of the Commission are contained in the Competition Bill, outlined below.

The Competition Bill 2010 (the "Competition Bill")
The key elements of the Competition Bill are the prohibition of anti-competitive agreements and abuse, by an enterprise, of a dominant position. It is noted that the Competition Bill does not create a merger control regime, a feature commonly seen in competition legislation in other jurisdictions.

Anti-competitive agreements
Chapter 1 of the Competition Bill prohibits horizontal and vertical agreements[3] between enterprises where such agreement has the object or effect of significantly preventing, restricting or distorting competition in any market for goods and services. Section 4 of the Competition Bill deems (amongst others) agreements to fix prices, limit or control production and perform an act of bid rigging, as significantly preventing or distorting competition.

Section 5 of the Competition Bill establishes a mechanism for "relief of liability", in that an enterprise party to an agreement maybe relieved of its liability for infringement of the section 4 prohibition where any of the grounds therein are satisfied. These include situations where there are significant identifiable technological or social benefits directly arising from the agreement or where the detrimental effect of the agreement on competition is proportionate to the benefits provided. In this regard, an application may be made by an enterprise for either an individual exemption or (in the case of a series of agreements falling within a category) a block exemption.

Abuse of Dominant Position
Chapter 2 of the Competition Bill (specifically, section 10) prohibits an enterprise from engaging independently or collectively, in any conduct amounting to an abuse of a dominant position[4] in any market for goods and services. An abuse of a dominant position[5] may include:-

(a) directly or indirectly imposing unfair purchase or selling price or other unfair trading condition on any supplier or customer;

(b) limiting or controlling production, market outlets or market access, technical or technological development or investment to the prejudice of consumers;

(c) refusing to supply to a particular enterprise, group or category or enterprises;

(d) predatory behaviour towards competitors; or

(e) buying up scarce supply of intermediate goods or resources required by a competitor in circumstances where the enterprise in a dominant position does not have reasonable commercial justification for buying up such goods or resources to meet its own needs.

The section goes on to state however that the prohibition will not apply where a reasonable commercial justification exists. Furthermore, an enterprise's market share is not in itself to be regarded as conclusive in determining whether the enterprise occupies a dominant position in that market.

Investigation and Enforcement
The Competition Bill grants wide powers of investigation to the Commission where it has any reason to suspect (whether or not based upon a complaint received) that an enterprise has infringed or is infringing any prohibition contained therein. An investigating officer of the Commission is clothed with all powers of a police officer (in relation to police investigations of seizable cases) as provided under the Criminal Procedure Code. The Commission is further authorized to have access to all records and documents[6] and may retain any such document for a duration as it deems necessary.

In addition, where an investigation has commenced but has not been completed, the Commission is at liberty to take interim measures as it considers appropriate for the purpose of preventing serious or irreparable damage or to protect public interest.

Upon completion of an investigation and where the Commission proposes to conclude that a prohibition has been infringed, the Commission is required to provide to the enterprise directly affected written notice of its proposed decision. The Commission may also conduct a hearing in order to determine whether a prohibition has been or is being infringed.

Where there is a finding of infringement by the Commission, the Commission shall order that such infringement cease immediately and may impose a financial penalty or give any other direction as it deems appropriate. It is worthy to mention that the Commission has the power to accept from an enterprise an undertaking to do or refrain from doing any act in relation to an infringement. Where accepted, the Commission shall close the investigation without making a finding of infringement or an imposition of penalty.

Penalties And Leniency
The general penalty on conviction for a violation of the statute is, in the case of a body corporate, a fine not exceeding RM5,000,000 and for subsequent offences, a fine not exceeding RM10,000,000. Directors and officers of a body corporate may be charged jointly or severally. Where the body corporate is found to have committed the offence a director or officer shall be deemed to have committed the offence unless it is proven that such offence was committed without his knowledge or consent and that he had exercised due diligence to prevent the commission of the offence.

Individuals are liable to a fine of up to RM1,000,000 or to a term of imprisonment of up to five years or both and RM2,000,000 and five years respectively for subsequent offences.

Notably, the Competition Bill incorporates a leniency regime which provides for a reduction of up to 100 percent of any penalties which would otherwise have been imposed on an enterprise that has admitted to its involvement in infringing a prohibition and has significantly assisted in the identification or investigation of an infringement by other enterprises.

Conclusion

Malaysia's competition legislation has been drafted with the aim of promoting economic development by encouraging competition. The formulation of a competition law regime is a step in the right direction and is hoped would promote economic efficiency and ultimately benefit consumers.

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[1] As reported in The Star online news on 22 April 2010

[2] An 'enterprise' is defined in the Competition Bill as any entity carrying on commercial activities relating to goods and services. Additionally, a parent and subsidiary company is regarded as a single enterprise if they (despite being separate legal entities) form a single economic unit with which the subsidiary does not enjoy real autonomy in determining their actions in a market.

[3] A horizontal agreement refers to an agreement between enterprises which operate at the same level in the production or distribution chain whereas a vertical agreement is one where enterprises operate at different levels the production or distribution chain.

[4] 'Dominant position' is defined as a situation where one or more enterprise possess significant power in a market to adjust prices, output or trading terms without effective constraint from competitors or potential competitors.

[5] As set out in Section 10

[6] Save where these relate to privileged communication between a professional legal adviser and his client, which is protected from disclosure under Section 126 of the Evidence Act 1950.

INTELLECTUAL PROPERTY

Reform of the Malaysian Trade Marks Act 1976

In this article, Cheah Chiew Lan highlights and identifies some of the current concerns in the Trade Marks Act 1976.

Malaysian trade mark legislation is derived from the trade mark laws of the United Kingdom. The Malaysian Trade Marks Act 1976 ("TMA 1976") mirrors the United Kingdom Trade Marks Act 1938 ("UK TMA 1938"). Unlike the UK TMA 1938, there has been no major amendments to the TMA 1976 for the past 10 years. In light of technological advancements and developments in intellectual property laws globally, reforms to the TMA 1976 have been long overdue. The recent announcement by our Deputy Prime Minister Tan Sri Muhyiddin Yassin at the National Intellectual Property Awards ceremony on 26 April 2010 that amendments to the TMA 1976 are scheduled to be tabled at the Parliament for the November session is timely.

Definition of Trade Mark

The definition of a "mark" provided under the TMA 1976 though non-exhaustive, does not specifically provide for the registration of new forms of non-traditional trade marks, three dimensional trade marks, sound marks or even scent marks. It is hoped that the amending legislation will provide for the possibility of registering these new forms of trade marks.

With the increased scope for the protection of trade marks, the definition of "use" of a mark must also be revisited. Currently, under the TMA 1976, references to the "use" of a mark is construed as references to the use of a printed or otherwise visual representation of a mark and, with regards to goods, such "use" shall be construed as references to the "use" of the mark upon or in physical or other relation to the subject goods. Likewise, with regards to services, it shall be construed as references to the use of the mark as a statement or as part of a statement about the availability or performance of such services. This definition will need to be revamped with the broadening of the definition of what maybe a trade mark. Otherwise, it will defeat the purpose of broadening the definition of a trade mark. The amending legislation should provide a non-exhaustive definition of "use", which would include oral use of a mark, usage of a mark on the Internet and the like.

Widening Scope of Protection

Under the TMA 1976, one can only succeed in a trade mark infringement action if an identical or nearly resembling mark is used without permission upon or in relation to the actual goods/services registered.

In other words, a proprietor of a registered trade mark may not seek relief under the TMA 1976 for trade mark infringement if someone is taking unfair advantage of his goodwill and reputation by using a mark which is identical or similar to his registered mark in respect of goods/services which are different from the actual goods/services registered. One may only resort to the common law tort of passing off for remedy. By expanding the scope of trade mark infringement to include use of an identical or nearly resembling mark in respect of goods/services other than those registered, may lessen causes of action seeking common law remedy. However, a balance may be struck by limiting the scope of goods/services to those which are similar to the actual goods/services registered.

Another common challenge faced by trade mark proprietors is the unauthorized use of a registered mark or a mark that is similar to the name of an incorporated company or business. Under the present definition of infringement, such use does not amount to trade mark infringement. The definition of infringement ought to be broadened to allow an infringement action to be brought against such unauthorised use.

In addition to the civil remedies available for trade mark infringement, provisions for criminal remedies as provided for in the Copyright Act 1983 particularly the chapter on Infringements and Offences could be adopted for inclusion in the amending legislation.

Simplifying the process of registration and improving the trade mark registration system

In order to simplify the process for application and maintenance of trade marks and to reduce the costs involved, the following should be allowed:

- Filing of multiple-class applications.
- Single filing of a recordation of change of name and/or address for an applicant or a proprietor in respect of all the marks, pending or otherwise, in the name of the same applicant/proprietor.

Need for clarification of certain provisions of the TMA 1976

Clarification of, amongst others, the following provisions may minimise disputes in the interpretation of the applicable provisions in the current TMA 1976:

- Whether recordation of a registered user is mandatory if the registered proprietor does not use the registered mark in Malaysia by itself. Based on current case law, recordation of the registered user is necessary if the registered owner is to benefit from the registered rights granted to him under the Act;
- Calculation of non-use period, whether it is from the date of application which is deemed the date of registration upon grant or from the date of issuance of the relevant registration certificate; or
- Whether non-commercial use of a registered mark in Malaysia such as placing of advertisements and having a website promoting the subject registered mark, suffices as use under the Trade Marks Act.

Provision in respect of Security interests in intellectual property

Both lenders and professionals in the investment community have for a long time recognised intellectual property as valuable assets. Generally one of the prime reasons, and sometimes the sole objective, for mergers and acquisitions is the acquirer's desire to obtain the target's very valuable intellectual property assets. It is acknowledged that the corporate image and standing of the trade mark owner and the full potential and value of its intellectual property assets can be enhanced if such intellectual property assets may be used as a source of funding to achieve these objectives. It is hoped that the amending legislation will provide the avenues for the creation, perfection and enforcement of security interests in intellectual property such as trade marks.

To the extent the reform addresses the issues above, the Malaysian trade mark law will be brought a step closer to the international standard adopted by countries around the world. We await to see the extent of the amendments proposed.

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CASE NOTE

Westform Far East Sdn Bhd v Connaught Heights Sdn Bhd[1]

IN THIS ARTICLE, RODNEY GOMEZ AND ANILRAJ VERDAMANICKAM CONSIDER THE RECENT COURT OF APPEAL DECISION IN WESTFORM FAR EAST SDN BHD V CONNAUGHT HEIGHTS SDN BHD IN RELATION TO THE REQUIREMENT FOR NOTICE IN EX-PARTE INJUNCTION APPLICATIONS.

Introduction

The recent decision of **Westform Far East Sdn Bhd v Connaught Heights Sdn Bhd** discusses the issue of the requirement of giving notice to the opposing party before applying for *ex-parte* injunctions.

Mandatory Notice or Mandatory Reason

Order 29 rule 1 (2A)(c) of the Rules of the High Court 1980 ("RHC") stipulates that an affidavit in support of an *ex-parte* injunction should set out the facts relied on as justifying an application *ex-parte*, including details of any notice given to the defendant or, if none has been given, the reason for giving none.

In **Westform** it was argued that Order 29 rule 1(2A)(c) imposed a mandatory requirement to give notice and that any *ex-parte* injunction granted without such notice should be set aside. This argument was based on a reading of an earlier High Court decision in **University of Malaya Medical Centre v Choo Chee Kon & Anor**[2]. In that case, the learned judge quoted the following passage from the Malaysian High Court Practice, 2001 Desk Edition 1 at pp 1032:

*"The requirements in r. 1(2A) are mandatory. Thus, where a plaintiff fails to give notice of an application made ex parte out of fear that it will defeat the purpose of the proceedings, the plaintiff must state in his supporting affidavit the reasons why notice in advance was not given to the defendant. As the introductory sentence in r. 1(2A) states that the affidavit 'shall contain a clear and concise statement', the statement must be stated clearly and concisely and may not be implied: **Delimec Hygiene Sdn Bhd v EMIC (M) Sdn Bhd**[3]".*

*"The consequence of the plaintiff's failure to comply with r. 1(2A) is that the injunction must be discharged. To do otherwise would defeat the policy behind the introduction of r. 1(2A): **UMAS Sendirian Berhad v. RHB Bank Berhad & Anor**[4]".*

The Court of Appeal in **Westform** held that there was no mandatory requirement promulgated by Parliament demanding notice irrespective of circumstances in any *ex-parte* application. What is mandatory, however is that the affidavit in support must state in a clear and concise manner the reason as to why no notice is given to the opponent, if that be the case.

This then begs the issue of what constitutes a "clear and concise statement".

In **Delimac Hygiene**, the court held that a clear and concise statement meant a statement that was express and not implied. In **Westform**, the Court of Appeal held that where a plaintiff does not give notice of an *ex-parte* application for fear that notice will defeat the purpose of the application, then he must state so in his application and must do so "clearly and concisely".

However, it appears that what would amount to a clear and concise statement would depend very much on the facts and circumstance of each case. In **Westform**, the purpose of the *ex-parte* injunction was to prevent Westform from pursuing a winding up petition against Connaught. Westform threatened to proceed with the winding up petition despite requests by Connaught not to do so. Connaught, faced with the stance taken by Westform, had no choice but to obtain an *ex-parte* injunction to prevent the filing of winding up petition. The majority decision of the Court of Appeal decided that the averment in Connaught's supporting affidavit constituted a clear and concise statement as to why no notice was given to Westform.

The decision of **University of Malaya Medical Centre** involved an application by the hospital authorities for an *ex-parte* injunction to restrain the parents from preventing the hospital from administering blood transfusion to save their unborn child's life. The parent's religious beliefs prohibited such treatment. The learned judge in that case concluded that the averment in the hospital's affidavit in support (which stated time constraint as the reason for not giving such notice) to be too vague an explanation and excuse.

University of Malaya Medical Centre was a decision of the High Court which was decided by the same dissenting judge in **Westform** who in his dissenting judgment held that Order 29 rule 1(2A)(c) imposed a mandatory duty to give notice of any *ex-parte* injunction application, that it was only in exceptional circumstances that a plaintiff is excused from notifying a defendant and that in such circumstances, a "plausible reason" must be stated as to why no reason was given. In this case, although there was no notice given to the parents on the *ex-parte* injunction, the hospital being aware of the parent's objections to blood transfusions led the parents to believe that they would be treated in accordance to their religious beliefs. Despite the assurances, the hospital went on to obtain the *ex-parte* injunction that enabled the hospital to administer the treatment which was contrary to the parents' religious beliefs. In view of the facts and circumstance of the case, it may be concluded that a mere averment of time constraint did not constitute clear and concise reason as to why notice was not given. The Judge actually considered the reasons why notice was not given. It must be appreciated that this was an *ex-parte* mandatory order which essentially altered the status quo and was incapable of being reversed at the *inter partes* stage. This was not the situation in **Westform**.

Conclusion
It can be concluded that Order 29 rule 1(2A)(c) RHC 1980 does not provide that notice of an *ex-parte* injunction application must be given to an opposing party. However, where no such notice is given, the reasons for the same must be stated clearly and concisely. Such reasons must be contained in the affidavit in support of the application and what amounts to a clear and concise statement is dependant on the facts and circumstances of each case.

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[1] [2010] 2 CLJ 541
[2] [2008] 5 CLJ 295
[3] [2001] 5 MLJ 186 at 197
[4] [2001] 1 AMR 1024

CYBER LAW

Today's Online Trade and Regulations : The "Dot Com" Way

IN THIS ARTICLE, SUNITHA BALASUNDARAM PROVIDES A GENERAL OVERVIEW OF WHAT CONSTITUTES CYBER LAW AND THE ISSUES SURROUNDING ONLINE TRADE.

Cyber law is the law that governs cyber space. These are both wide terms that encompass computers, software, networks, the Internet, websites, emails, data storage devices and even electronic devices such as cell phones and the like. We hear of companies or organizations going "*dot.com*" or "*dot.net*" on a daily basis, some examples are such as e-commerce, e-trading, e-news, e-banking and the like. Today, nearly all activities or transactions that can be carried out in the physical world can also be carried out in cyber space. The virtual world is developing at a phenomenal pace with nearly everything in the process of being *"dot-com"ed*.

Cyber law governs the rules of conduct that have been approved by the Government and which are in force over a certain territory. The violation of such rules could lead to imprisonment or fine or an order to pay compensation depending on the gravity of the crime. Cyber law are laws relating to[1]:

(a) Cyber crimes – crimes that are committed through the Internet or within an organization using computers;

(b) Intellectual property / rights that are stolen by other people using the Internet and computers;

(c) Electronic and digital signatures – electronic signature used to forge various documents as if done by another person. This is usually done to swindle money unlawfully; and

(d) Data Protection and Privacy – personal information floating in cyber space in line with the growth of electronic commerce ("e-commerce"). As e-commerce grows so does the lack of privacy, more personal information is required to be keyed in in-order to carry out online transactions such as online shopping, banking and the like.

Cyber crimes are unlawful acts where the computer and the Internet are used as tools. The vast growth in e-commerce has inadvertently led to a significant rise in incidents of cyber crime. For example, online banking is now so convenient that people no longer want to waste time and resources queuing up in banks to do their banking transactions. With Internet banking, everything can be done with the click of the mouse at the comfort of your home or office. The drawback of this, however is that it is now possible for criminals to use this avenue to make money quickly, easily and without a trace. Digital evidence would be required to trace and track down the perpetrators. Electronic signatures are used to authenticate electronic records. Though technology and efficiency of digital signatures[2] make them more trustworthy than handwritten signatures, there is now the problem of documents being forged by another person. Data protection aims to achieve a fair balance between the privacy rights of individuals and the interests of data controllers.

The Internet has brought its positive impact into the country and Malaysia is venturing into the world of electronic transactions. The cyber world allows parties to enter into valid contracts. This is notwithstanding the fact that they are not physically present before each other. A simple example would be to purchase a book via *mphonline.com* or to buy a child's toy via *fisherpriceonline.com*. In order to constitute a valid contract, these requirements need to be fulfilled, namely offer, acceptance, consideration and intention to create legal relations. These virtual transactions are fast becoming the trend in Malaysia. Everything is done with the click of the mouse and your goods purchased are delivered to your doorstep via mail or delivery service.

The Internet is borderless and the amount of information floating in cyber space is mind boggling. It is rather tricky to determine the issues of jurisdiction as the virtual region defies geographical boundaries and national laws. In view of this, cyber laws must be enacted to regulate the authenticity and security of business transactions in virtual space to ensure that the rights of interacting parties in cyber space can be enforced. As Information and Communication Technology is getting more and more important, the Malaysian Government had passed some cyber laws to protect the rights of computer users. Since 1997, some of the cyber laws that have been passed by the Malaysian Parliament include:

(a) the Digital Signature Act 1997;
(b) the Computer Crimes Act 1997;
(c) the Copyright Amendment Act 1997;
(d) the Telemedicine Act 1997;
(e) the Communications and Multimedia Act 1997;
(f) the Communications and Multimedia Commission Act 1998;
(g) the Electronic Commerce Act 2006;
(h) the Electronic Government Activities Act 2007; and
(i) the Personal Data Protection Act 2010.

It is these laws that determine how computer users in the country should conduct themselves, their businesses and handle their data on the internet and intranets in a responsible manner.

The preceding paragraphs have provided a brief overview of some of the issues to be considered in going the "*dot.com*" way. These issues raised relate only to Malaysia. Different countries have their own respective governing legislation. The unsettled issue then is how would one compromise on the difference in legislation when dealing in such a worldwide industry. The solution for now would be for users to be as well informed as can be about the regulatory issues that may be involved and having a clear business strategy before venturing into any online trade. Going "*dot.com*" is not purely about technology but also knowing the know-how of business and being well informed about the governing laws and regulations.

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[1] http://www.saching.com
[2] Digital signatures satisfy three major legal requirements – signer authentication, message authentication and message integrity.