ACG
The Anti-Counterfeiting Group
Campaigning Against the Trade in Fakes
www.a-cg.org

An ICC initiative
BASCAP
Business Action to Stop Counterfeiting and Piracy

IACC

INTERPOL

WORLD CUSTOMS ORGANIZATION

World Trademark Review™

# Anti-counterfeiting 2014

## Malaysia

Contributing firm Shearn Delamore & Co

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A Global Guide

# Shearn Delamore & Co.

**Advocates & Solicitors, Notary Public, Registered Patent Agents, Trademark Agents & Industrial Design Agents**


7th Floor, Wisma Hamzah-Kwong Hing
No.1, Leboh Ampang
50100 Kuala Lumpur, Malaysia
Tel: (603) 2027 2727 Fax: (603) 2028 5625
E-mail: info@shearndelamore.com
Website: www.shearndelamore.com


Shearn Delamore & Co. is one of the oldest law firms in Malaysia and has evolved over the last 10 decades into one of the largest, providing a comprehensive range of services to clients ranging from private individuals to the largest multinationals.

As pioneers in the field of IP in the country, we pride ourselves as having one of the largest and most established IP and Technology departments in Malaysia. Our legal team deals with a wide spectrum of IP and Technology law and undertakes both contentious and non-contentious work. Our Partners and lawyers in this area of practice maintain a close rapport with the relevant government officers enabling us to conduct swift and effective anti-counterfeiting and enforcement programmes throughout the country. Our law journals bear testimony to our role in precedent-making landmark decisions in the High Court and the Appellate Courts in this Country.

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Franchise
Gaming
Geographical Indications
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Trade Descriptions
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## Partners in the IP/IT Department

**Wong Sai Fong**
Telephone: +603 2027 2851
Email: saifong@shearndelamore.com

**Karen Abraham**
Telephone: +603 2027 2893
Email: karen@shearndelamore.com

**Indran Shanmuganathan**
Telephone: +603 2027 2873
Email: indran@shearndelamore.com

**Timothy Siaw**
Telephone: +603 2027 2660
Email: timothy@shearndelamore.com

**Zaraihan Shaari**
Telephone: +603 2027 2822
Email: zara@shearndelamore.com

**Jyeshta Mahendran**
Telephone: +603 2027 2881
Email: jyeshta@shearndelamore.com

**Janet Toh**
Telephone: +603 2027 2978
Email: janet.toh@shearndelamore.com

**Ameet Kaur Purba**
Telephone: +603 2027 2872
Email:ameet@shearndelamore.com

**Michelle C.Y.Loi**
Telephone: +603 2027 2885
Email: michelle.loi@shearndelamore.com

# Malaysia

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**Shearn Delamore & Co**

Authors
**Karen Abraham** and **Janet Toh**

Malaysia continues to be responsive in the fight against counterfeiting and piracy. There is also an increasing focus on encouraging and facilitating IP valuation and financing in Malaysia, with the creation of an IP valuation model to provide clarity and standards for various stakeholders and key players to implement a valuation methodology that is acceptable to financial institutions.

In relation to false trade description under the Trade Descriptions Act 2011, 1,811 cases were reported and more than $3 million's worth of goods confiscated in 2013. In relation to copyright infringement, 190 cases were reported and close to $800,000's worth of goods seized in 2013. There was also significant improvement in enforcement against piracy, with 1,822,109 premises inspected and over 7,000 cases reported in 2013. The total value of goods confiscated during these raids was reported to be close to $9 million. These figures are indicative of the increased efforts made by the Ministry of Domestic Trade, Cooperatives and Consumerism to combat counterfeiting and piracy. Nevertheless, there is still room for improvement and development within the IP infrastructure, and further steps must be taken by the legislature and officers of the ministry in order to protect and enforce IP rights in Malaysia.

**Legal framework**

The existing legislation in Malaysia, which provides for protection and enforcement in counterfeiting cases, includes the following:

- Trademarks Act 1976 – this act provides a framework for the protection of trademark rights and enforcement through civil redress. Malaysia is set to join the Madrid Protocol in 2015 and is currently amending the act. This amendment is long overdue and is greatly welcome. In addition, international registration provides cost savings to trademark owners that wish to protect their mark in multiple countries, as they need only file one application with the Trademarks Office, instead of filing separate applications with different offices. In anticipation of Malaysia's accession to the

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Madrid Protocol, the Malaysian Intellectual Property Office has made significant improvements in terms of upgrading its infrastructure, particularly its IT capabilities, in order to cope with incoming international filings.

- 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 so. Once granted, a trade description order is valid for one year and can be renewed. A trade description order is admissible in evidence in any proceedings under the act as conclusive proof of a false trade description. One of the key amendments introduced by the act is that only the registered owner of a registered trademark can apply for a trade description order. Another notable amendment is that the evidence of *agents provocateurs* is now admissible in court.
- Copyright (Amendment) Act 2012 – this came into force on March 1 2012. The amendment act introduces a provision on statutory damages, an prohibits recording inside a cinema and the circumvention of technological protection measures. The amendments further provide for a notice and takedown system in respect of copyright infringements on the Internet. In addition, the Copyright (Voluntary Notification) Regulations 2012, which came into force on June 1 2012, enable a rights holder to give notification voluntarily to the registrar of copyright of its right in copyrighted works, on payment of the prescribed fees.
- 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. Original optical disc labels issued by the Ministry of Domestic Trade, Cooperatives and Consumerism to eligible applicants must be affixed to all optical discs embodied with content and intended for trade or business. The labels must be placed in a conspicuous place, either on the optical disc or on the container in which the optical disc is supplied. It is an offence to supply optical discs without labels and produce fake optical disc labels. The penalty for a first offence is a maximum fine of RM100,000, imprisonment of up to three years or both. Over 1,000 cases were reported and over $1 million’s worth of goods seized in 2012.
- 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, as well as to appreciate and acknowledge an individual's or organisation's IP rights. The legislation stipulates that any party which intends to manufacture optical discs must obtain a licence pursuant to the Optical Disc Act 2000. Further, 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 now faced by 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 could be improved to prohibit the removal or deletion of codes from discs.

**Border measures**

The Trademarks Act 1976 contains provisions which empower Customs and trademark owners to take action at the border. However, to date, the border measures provisions have not been invoked. The reason for this is that there are many onerous prerequisites and criteria to be fulfilled in order for the complainant to make an application to the registrar of trademarks, and these prerequisites have been found to be prohibitive. 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 obstruct the lodging of complaints, as most of this information is inaccessible. It is hoped that the much-anticipated Trademarks Act will address these shortcomings, and that amendments will be made to allow for improvements in border enforcement and the creation of custom procedures.

**Criminal prosecution**

The Copyright Act 1987 grants the police and the ministry wide enforcement powers. The act empowers both enforcement bodies to enter any premises where there is reasonable cause to suspect that such premises houses infringing goods or equipment for making such goods, and to seize those infringing goods or equipment with a warrant. Entry into premises to carry out 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 the 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 in carrying out investigations.

The Trade Descriptions Act is another powerful tool in enforcing trademark rights, enabling the registered proprietor 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 and/or passing off, rights holders 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's chambers.

**Civil enforcement**

A civil suit is most appropriate when the identity of the key offending party or parties is known and its financial worth and assets are more than sufficient to pay out the damages and costs sought by the rights holder. Several remedies are offered in a civil suit, which are not necessarily exclusive and which 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/or
- 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 Pillar 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

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holders as a means 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 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 from continuing the infringing activities is another pre-emptive measure that can be self-funding, as damages and costs may be sought; and
- Undertaking/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 19 million internet users among its 29 million-strong population. The Internet has taken globalisation to a new level, making it an ideal platform for the sale of counterfeit goods.

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. The act 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 the notification is to 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 with such notification.

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 delayed Personal Data Protection Act 2010 finally came into force on November 15 2013. Online operators must therefore be careful when collecting the personal data of

customers, as the act regulates the processing of personal data in commercial transactions.

**Preventive measures/strategies**

**Software audit initiative**

In 2013, the Ministry of Domestic Trade, Cooperatives and Consumerism implemented the *Ops Tulen Semak* campaign, focusing on combating software piracy in the workplace to address the rampant use of pirated and unlicensed software by businesses. Throughout the campaign, a total of 25,547 letters were issued to companies containing questions on the usage of genuine computer software. The purpose of the exercise was to force companies to conduct an audit of their computer software. Errant companies were given two months to comply, while flyers were distributed to educate businesses against the use of pirated software.

**Basket of Brands**

The ministry launched the Basket of Brands programme in 2011 to enable trademark owners which register their brands with the ministry to be given 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 October 2012, the ministry reported that 95 brand owners were registered under this scheme. 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 is a reflection of the government's strong stand against piracy and counterfeiting. The scheme 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 documents to be lodged with the ministry must include:

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

**IP valuation**

Training has been conducted for IP professionals and specialists from different backgrounds for the purpose of creating a pool of local IP valuers through comprehensive modules ranging from introduction of IP rights to methods of valuation, IP negotiation and IP management, drafting practical valuation reports and sharing of international experiences.

**Trans-Pacific Partnership**

Negotiations continue towards the Trans-Pacific Partnership trade agreement. It is anticipated that these negotiations are likely to include a high-level IP chapter, high-level substantive copyright protection, enforcement standards and provisions ensuring the free flow of e-commerce products and services.

**Conclusion**

Significant steps have been taken by the Malaysian government to improve IP protection and enforcement in the country, as Malaysia adopts a more holistic and innovative approach in charting the development and growth of the entire IP ecosystem. Apart from encouraging the creation of high-value intellectual property, efforts also aim to establish a vibrant and globally connected IP marketplace in Malaysia. In deepening its talent pool in IP valuation, this will hopefully benefit the nation's progress towards establishing itself as a knowledge-based economy. WTR

Shearn Delamore &co.

**Shearn Delamore & Co**
7th Floor WismaHamzah-KwongHing
1 Leboh Ampang, 50100 Kuala Lumpur, Malaysia
**Tel** +603 2027 2727
**Fax** +603 2078 5625
**Web** www.shearndelamore.com

**Karen Abraham**
Partner
*karen@shearndelamore.com*

Karen Abraham is an advocate and solicitor for Malaysia and South Australia. She jointly heads Shearn Delamore & Co's IP and IT departments. She was a director of the board of the International Trademark Association (INTA) (2011-2013), and is currently the 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 world's largest brands.

**Janet Toh**
Partner
*janet.toh@*
*shearndelamore.com*

Janet Toh is a partner in the IP department of Shearn Delamore & Co. She graduated with a LLB (hons) from Bristol University and an LLM from the National University of Singapore. She focuses on IP and IT issues in a variety of transactions and has worked on a wide range of agreements, including distributorship, licensing, outsourcing, service and consultancy. 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 provides advice on IP protection for leading multinational companies in the pharmaceutical and tobacco industries around the world.