

# Malaysia

## Recent developments in IP law

This chapter looks at recent developments in Malaysian IP law and practice and reviews some of the more significant cases of the Malaysian courts.

### Accession to Patent Cooperation Treaty

On May 16 2006 Malaysia became the 131st contracting state to the World Intellectual Property Organisation Patent Cooperation Treaty. The treaty was to enter into force in Malaysia on August 16 2006.

The accession instrument declares that, pursuant to Article 64(5) of the treaty, Malaysia does not consider itself bound by Article 59 of the treaty. Article 64(5) provides that each contracting state may declare that it does not consider itself bound by Article 59, which provides that any dispute between two or more contracting states concerning the interpretation or application of this treaty or its regulations not settled by negotiation may be brought before the International Court of Justice by any of the states concerned, unless the states agree on some other method of settlement.

Patent law in Malaysia is governed by the Patents Act 1983. The Patents (Amendment) Act 2003, which was published in the *Official Gazette* on August 14 2003, has yet to come into full force.

The amendment act, which seeks to implement the rights and obligations under the treaty, has amended the 1983 act by replacing Section 34 and inserting a new Part XIVA into the 1983 act. Section 34 states that the registrar shall make patent applications available for inspection 18 months after the priority date or filing date of a patent application upon payment of the prescribed fee. Part XIVA sets out the procedures and processes applicable for the filing of an international application.

The Patent Registration Office of Malaysia is the receiving office for international applications and the elected and designated office for the purposes of the treaty.

The treaty and its rules are applicable to the processing of an international application during the international phase of the application. The 1983 act and the corresponding regulations govern the national phase

of the application.

When the treaty comes into force, nationals and residents of Malaysia may file treaty applications. Applicants who are natural persons and nationals and residents of Malaysia are entitled to a 75% reduction of the international filing fee and the handling fee in respect of international applications filed under the treaty.

### Extension of registration term of UK designs in Malaysia

On May 26 2006 a circular issued by the Industrial Designs Registration Office in late 2005 was withdrawn by the Malaysian Intellectual Property Office (MyIPO).

The 2005 circular stated that, on the advice of the Attorney General's Chambers, designs registered under the UK Registered Designs Act 1949 could not be extended beyond three five-year terms. This caused uncertainty among practitioners and the industry as it was contrary to an announcement in 2004 by the then secretary general and director general of the Intellectual Property Corporation of Malaysia (now known as MyIPO).

The May 26 MyIPO circular withdrew the statements made in the 2005 circular. Following the withdrawal, MyIPO advised that the Industrial Designs Registration Office will accept applications for fourth and fifth-period extensions of designs registered under the UK act after August 1 1989 but prior to September 1 1999, provided that the prescribed extension fee under the Industrial Designs Regulations 1999 is paid and the application includes a copy of the document proving that the period of registration of the design in the United Kingdom had been extended.

MyIPO further advised that it will re-examine applications for fourth and fifth-period extensions for UK-registered designs that were rejected before the issuance of the May 26 circular, and certificates will be issued if the applications comply with the provisions of the Industrial Designs Act 1996 and the Industrial Designs Regulations 1999. MyIPO also stated that it will examine applications

for UK-registered designs that expired and were not renewed as a result of the 2005 circular.

This clarification has been welcomed as it reflects the provisions of the Industrial Designs Act 1996 and the December 2005 High Court ruling in *Shachihata Incorporated v The Registrar of Industrial Designs* (Kuala Lumpur High Court Originating Summons D7-21-72-2005). In this case the High Court ruled that designs registered under the UK act before the commencement of the Industrial Designs Act 1996 on September 1 1999 may be extended for fourth and fifth periods of five years each in Malaysia.

### Significant cases on IP protection

#### Industrial designs

In *CKE Marketing Sdn Bhd v Virtual Century Sdn Bhd* ([2006] 5 CLJ 30) the applicant applied to revoke the first respondent's industrial design registration in respect of glass-fronted display freezers on the basis that the design was not novel at the date of application (August 12 1999) because such products bearing a similar design had been sold in Malaysia prior to that date.

The High Court dismissed the application on the grounds that the first respondent's registered design was novel as at August 12 1999 because its features were materially and visually different from the purported prior art of a traditional refrigeration apparatus that existed prior to that date.

The High Court held that, in determining whether a design is novel, regard should be had to the nature of the article, the extent of the prior art and the number of previous designs in the field in question. Further, the totality of the design features, taken as a whole, and the overall appearance of the common articles are a paramount consideration.

The High Court also held that where a proprietor claimed that the novelty of its design resided in the shape and configuration of the design, the novelty was being claimed for the design as a whole. Thus, in determining whether the design was novel, it was wrong to divide the design into various parts and to compare them individually with a purported prior art.

In this case the High Court adjudicated the revocation application under Section 24 of the Industrial Designs Act 1996. However, in an earlier decision in *Arensi-Marley (M) Sdn Bhd v Middy Industries Sdn Bhd* ([2004] 4 MLJ 46) it was held that such applications should be made under Section 27 of the Industrial Designs Act 1996 because Section 24 was limited to making, expunging or varying an 'entry' in the Design Register as opposed to Section 27, which was concerned with the revocation of the design registration as a whole.

It would appear that the issue of whether Section 24 or Section 27 should be relied on was not raised in *CKE Marketing Sdn Bhd*.

#### Copyright

In *SAP (M) Sdn Bhd v I World HRM Net Sdn Bhd* ([2006] 2 MLJ 678) the plaintiffs applied for an interlocutory injunction against the defendants for copyright infringement in relation to business software application SAP R/3. The SAP R/3 software belonged to the second plaintiff and the first plaintiff was the exclusive distributor. The plaintiffs alleged that:

- the first defendant had distributed the SAP R/3 software to third parties and extended its use beyond the extent allowed by the end-user licence agreement entered into with the first plaintiff; and
- the first and second defendants had reproduced and downloaded the SAP R/3 software onto the computers of third parties.

The High Court found that there was a serious question to be tried in relation to the issue of infringement and that the balance of convenience was in favour of the plaintiffs; therefore, it granted the application. The High Court held that if an interlocutory injunction were not granted, the damage to the reputation and goodwill of the plaintiffs would be irreparable and the plaintiffs would be unable to control the licensing of the SAP R/3 software, which would result in the irreparable destruction of the value of their copyright. On the other hand, the High Court held that any damage that the defendants might suffer as a result of the interlocutory injunction could be adequately compensated by an award of damages because the defendants would be restrained only from offering licences to new customers without the plaintiffs' consent.

Regarding the defendants' argument that the plaintiffs' application should not be granted due to their delay in seeking interlocutory relief, the court held that, apart from the fact that the defendants were not prejudiced by the delay, there were ongoing settlement negotiations between the parties.

Further, the High Court dismissed the defendants' application for leave to cross-examine the deponent of the affidavit filed in support of the interlocutory injunction application. The High Court held that cross-examination of a deponent would be inappropriate since the court was not allowed to examine the merits of the case at this stage of the proceedings, as it was required only to determine whether there was a serious question to be tried. The High Court also held that such

applications should be sparingly granted and should not be allowed to delay the prompt adjudication of the plaintiffs' urgent interlocutory injunction application.

#### Patents

In *Patrick MG Mirandah v Ketua Pengarah Perbadanan Harta Intelek Malaysia* ([2006] 3 CLJ 79) the plaintiff, a registered patent agent, asked MyIPO (the defendant) to allow him to examine the file of a granted patent and obtain certified extracts therefrom in order to enable him to render an opinion to his client on the risks of infringing that patent. The defendant rejected the plaintiff's request on the basis that some of the documents in the file were confidential and could not be given to third parties without the permission of the patent owner. As a result, the plaintiff filed an application in the High Court seeking a declaration that he be allowed to inspect the file and obtain certified extracts therefrom.

The High Court allowed the application on the grounds that, under Sections 33 and 34(1) of the Patents Act 1983, it is clear that any person may inspect the file relating to a patent after the grant of that patent and may obtain certified extracts of it on payment of the prescribed fee. Further, the High Court held that the Official Secrets Act 1972 was inapplicable as the documents concerned were not classified as official secrets under the 1972 act.

#### Trademarks

In *Bata Ltd v Sim Ah Ba* ([2006] 3 CLJ 393) the appellant appealed against a decision of the High Court dismissing its application to expunge and remove Registration 88/03298, registered on July 5 1988 in Class 25 for socks and underwear (the respondent's mark) from the Trademarks Register.

The appellant stated that it was the registered proprietor of Registration M/57693, registered on August 23 1971 for shoes, boots and parts thereof, slippers and sandals. Although socks are not covered by the appellant's registration, it claimed that it had sold a substantial number of socks under its mark and had thereby acquired reputation and goodwill. It also claimed that as both marks contain the word 'power' and the trade channels of the parties overlapped, this could lead to confusion and deception of the public.

The respondents denied the allegations, arguing that it was not possible for the parties to have overlapping trade channels since the appellant's goods were sold only in its Bata chain and franchise shops, while the respondent's goods were sold in general merchandise stores. Therefore, it claimed there was little likelihood of

confusion and deception.

The Court of Appeal noted that the issues to be considered in this appeal were whether the respondent's mark was likely to deceive or cause confusion to the public, and whether the respondent's mark was distinctive of the respondent's goods.

On the first issue, the Court of Appeal, in comparing the marks visually, observed that there were many obvious differences, and what was noteworthy was the idea of the mark left in the public eye. The court then noted that the idea of the mark was significantly diluted by the fact that the appellant's goods were sold only in its Bata or franchised shops. The court also considered the aural similarity of the marks and held that the appellant had not acquired the exclusive right to the use of the word 'power', which is a generic and common word. In conclusion, the court held that there was no real tangible possibility of confusion or deception to the public.

Regarding the second issue, the court ruled that the appellant adduced no evidence to prove that the respondent's mark was not distinctive at the start of the rectification proceedings, and the appeal was dismissed with costs.

#### Developments in copyright enforcement

The enforcement of copyright law continues to advance, with significant progress in the past year.

In April 2006 three company directors were charged in the Sessions Court for possession of pirated VCDs. If convicted, they could face a maximum fine of M\$20,000, imprisonment of up to five years or both.

In a raid conducted in early 2006 at Kuala Lumpur International Airport, 24,000 copies of pirated DVDs intended for export to the Middle East were seized by the Enforcement Division. Operations carried out at the airport in January and February 2006 resulted in the seizure of 185,489 pirated VCDs and DVDs, worth M\$1.85 million. In a separate operation in the northern region of Malaysia, 2,000 copies of pirated CDs and VCDs, worth M\$35,000, were seized by the Enforcement Division from a house that operated as a processing centre for pirated CDs and VCDs.

In a recent border operation the Enforcement Division successfully foiled attempts to smuggle 8,000 DVDs, worth M\$80,000, by air to South Africa. In separate enforcement operations the special unit intercepted 7,000 VCDs and DVDs, worth M\$45,000, destined for export to Cambodia, and approximately 36,000 games DVDs, worth M\$360,000, en route to Uruguay.

The success in combating piracy reflects the commitment of the Malaysian government to protecting IP rights and shedding the image of Malaysia as a

pirates' paradise. This is further evidenced by the establishment of a special enforcement unit within the Enforcement Division to deal with the export of pirated CDs, VCDs and DVDs in April 2005 which, although it has been in operation for less than two years, has yielded positive results.

On March 29 2006 the Recording Industry Association of Malaysia (RIM) filed a suit (the first of its kind in Malaysia) in the Kuantan High Court against the owner of a property for permitting tenants to sell pirated

CDs on the premises. The suit was filed after the owner disregarded repeated warnings from RIM over a period of several months, ordering the owner to evict the tenants. RIM has announced that similar legal action will be taken against six other owners of shopping complexes if they refuse to cooperate after receiving similar warning notices. It remains to be seen whether the court will rule that owners of shopping complexes are under a legal obligation not to permit the sale of infringing CDs, VCDs or DVDs on their premises.

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