

IP ENFORCEMENT IN MALAYSIA

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A. Introduction

1. Change in economic activities in Malaysia.

The importance, relevance and significance of Intellectual Property Rights and the scheme of IP Rights have only since the last 30 years have started to come into the forefront of economic activities in Malaysia. Malaysia achieved its independence from Britain in August 1957. At that time most of the industries and factories were owned by British companies and they were merely simple production or assembly operations. The main economic activities of the country were basically extraction of raw material, namely growing rubber trees and producing raw rubber; extraction of tin metal and cutting of wild timber trees and exporting sawn timber or logs.

The 1980s experienced a major shift in the industrialization policy of Malaysia. Malaysia embarked on a major industrialization policy, heavy investment in infrastructure and export of manufactured goods. The political stability of the country, the low cost of labor, high educational level of the workers and the attractive investment incentives given by the government attracted a lot of foreign manufacturing companies to establish or shift their manufacturing operations to Malaysia. It is about this time, indigenous industries which originally served the foreign manufacturers operating in Malaysia, began to grow.

So, until 1980s, IPRs did not play any important role in Malaysia. There was only a Trade Mark Registry which received, examined and registered trade mark. All patents and industrial designs were required to be filed, prosecuted in Britain and then registered in Malaysia in case of patent rights. UK registered Industrial designs were automatically enforceable in Malaysia without any other administrative action. However with the rapid industrialization of the country, the development of indigenous industries, and the emphasis on research and development saw the emergence of the importance of IPRs. Patent Act came into force in 1986.

In the 1990s, Industrial Designs Act, and new laws relating to information/ communication technology were enacted. The intellectual property departments both the registration functions and enforcement functions started to play important roles in the industrialization process. Of course IPRs are playing an ever increasing and important role in the economic growth of the country now. This is reflected by the increasing number of patent, industrial designs and trade marks and geographical indications registered in Malaysia.

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2. Change in mindset of population and industries.

Corresponding to the increase in the IPR registration numbers, there is a change in the understanding, appreciation and respect of IPRs. The government has embarked on a national IPR awareness campaign. However there is still a huge gap with respect to the appreciation of the IPR system. The general public has not fully understood the IPR system. Even the industries, especially the local industries have not fully understood or exploited the IPR system. This is not surprising as even in industrialized countries, there is a significant lack of understanding of IPRs. Nevertheless a lot of effort is placed by the government, and non-governmental organization (NGOs) to increase awareness of IPRs in the general public and industries.

B. Enforcement of IPRs

1. There are several methods of enforcing IPRs in Malaysia. The IPR owner has the option of choosing one or more methods of enforcing the rights. The various options are:

- (i) civil action
- (ii) criminal action
- (iii) administrative action

(i) Civil action

Owners of IPRs (including confidential information) can commence civil action for infringement of their IPRs. The main objective of the civil action is:

- (i) To restrain the infringer from continuing the infringement activities.
- (ii) Surrender or destroy all infringement products in his possession, custody or control.
- (iii) Seek an account and payment from the acts of infringement.
- (iv) Alternative to (iii) is to seek to assess damage suffered by IPR owner.
- (v) In some cases seek a public apology for the act of infringement.

Who can commence civil action for IPR infringement?

In all cases, the proprietor of the IPR must commence the action in Court. However if after giving notice to the proprietor of IPR of his instruction to commence civil action, the owner refuses or neglect to commence action within a prescribed period, the IPR licensee can commence action in his own name.

Who can be sued?

Anybody who is involved in any activity which is the right of the IPR proprietor can be sued. For example, the defendant can be the manufacturer, warehousekeeper (storing offending goods), distributor, retailer or persons using offending goods by way of trade or all or any them.

How soon should action be commenced?

Generally civil action should be commenced within a statutory limit, after that limitation sets in. However time runs from every new act of infringement, but damages cannot be claimed to infringement activities earlier than the limitation period.

Patent	5 years
Industrial Designs	5 years
Trade marks	6 years
Copyright	6 years

In civil actions, often the IPR owner will seek interim injunctions, or Anton Piller orders against the offenders. Where interim injunctions are sought, there should not be unreasonable delay in commencing the action or seeking the injunction after the IPR owner becomes aware of the infringing acts.

(ii) Criminal action

Infringement of trade mark and copyright are also criminal wrongs. However infringements of patent and industrial design rights are not criminal actions but only civil wrongs therefore no criminal action.

The owner of IPRs or his agent or authorized representative can initiate the criminal action. The complainant files an official complaint with the Enforcement Division of the Ministry of Domestic Trade and Consumer Affairs (this is the Ministry responsible for the administration of the various IP acts). The complainant should include full details of the ownership of IPRs in Malaysia, together with details as to where the infringing acts are taking place. Once the Enforcement Division is satisfied that there is a *prima facie* case, it would conduct raids at the identified premises, seize the offending goods. If satisfied there is a criminal offence, then criminal action is commenced against the offenders.

The prosecution of the criminal offence is carried out by the civil servants [either prosecuting officers or deputy public prosecution (DPP)]. If the accused is found guilty then often a fine or custodial sentence or both are imposed. Although no payment to the Enforcement Division or the prosecution in Court is involved, in practice there are other problems. Some of which are:

- (i) After raids are conducted, prosecutions of offenders are not commenced quickly or not at all. By the time action is commenced, the IPR proprietor has lost interests in the case.
- (ii) Often the IPR owner does not give full cooperation to the prosecution of the case in Court. Expert witnesses, proper lab analysis reports, professional assistance are not provided.
- (iii) Investigations are sometimes slipshod, resulting in acquittal of “offenders”.
- (iv) Even if found guilty, the sentence imposed is too lenient compared to the gravity of the offence, resulting in offenders considering the fine as mere “business expense”. The fines are not strong deterrents. Custodial sentence is normally given to repeat offenders.

In respect of infringement of trade marks, where the offending trade marks is not identical to the registered trade mark, then the IPR owner has to obtain a Trade Description Order from the High Court, before lodging a complaint at the Enforcement Division. This order is an *ex-parte* order, and is declaratory in nature. The order is valid for five years and which can be renewed for further five years. Where the offending mark is identical to the registered trade mark, then no Trade Description Order (TDO) is required. Straight forward complaint to the Enforcement Division is possible. Where the trade mark is not registered, then TDO is required.

Now pursuant to TRIPS obligations, it is possible to initiate border central measures. Incoming infringement goods are detained at the point of entry into the country before they are released to

the importer.

Detailed provisions are made to stop the import and distribution of counterfeit trade mark goods, and copyright infringement articles under the Trade Mark Act 1976 and the Copyright Act 1987 respectively. Border measures are only available for goods where trade mark has already been registered in Malaysia, it is not available for counterfeit goods where trade marks are pending registration. The proprietor of the registered trade mark or an agent of the proprietor can initiate the action.

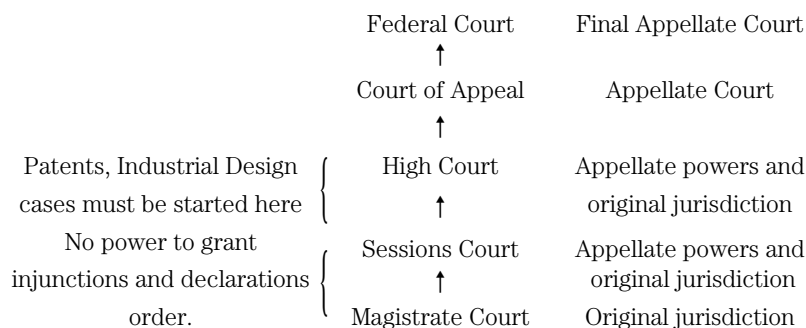
The provisions do not cover goods in transit.

(iii) Administrative action

Apart from judicial measures, it is possible to take administrative measures in certain cases. For example, the use of trade marks on signboards without consent from the trade mark owner can be stopped by notifying the local city council. City councils are responsible for the licensing and approval of signboards.

The government is also persuading large shopping malls to include a clause in the tenancy agreements that the tenancy of the shop lot will be terminate if the shop is found guilty of dealing with counterfeit goods.

C. Hierarchy of Courts and Jurisdiction



In addition to Courts under the Judiciary there are other forms where some IPR disputes can be heard.

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| 1. Arbitration | } | Not very popular as the bodies cannot grant injunctions; voluntary in nature. |
| 2. Mediation | | |
| 3. Copyright Tribunal | - | Power to hear limited; dispute on payment of royalty for music/ voice recordings, translation rights. |
| 4. Small Claims Tribunal | - | Where claims worth below RM10,000.00 can be brought by ordinary citizens. No lawyers are involved; procedure is cheap, fast and effective. |

One of the frequent complaint in IPR disputes in the Court is that the judges are not well versed in IP law. Public discussion on the need for specialized IP Courts us being initiate.

D. Basis of intellectual property law

Malaysian law in general is based on English common law. Intellectual Property laws are based on English or Australian IP law. Case laws from countries which adopt the English common law are highly persuasive in the Malaysia Courts. Developments of IP case law in England, Australia, India, New Zealand, South Africa and Singapore have a strong influence in the Malaysian Courts.

However with the harmonization of IP laws pursuant to TRIPS development and interpretation of laws from other jurisdictions will begin to play a prominent role in Malaysia.

E. New challenges in IPR enforcement

With the growth in industrialization of other low cost manufacturing countries, such as China, Vietnam, Indonesia, etc. one could expect more infringing products coming into the Malaysia market. Often complete products or parts of products are brought into the country. Parts of products are then assembled in Malaysia and then distributed in the market. Packaging and labeling may be done in the country. Thus it may be difficult to track infringement/ counterfeit products at the border.

As cost of equipment/ machinery comes down (relatively), entry barriers in many industries especially for consumer goods have come down too. Often second-hand or reconditioned machines/ equipment are imported from Japan, Korea, Taiwan or Italy for such purposes. This makes it easier for counterfeiters to enter the market easily.

The growth of air travel into the country has also resulted in air-travelers bringing in substantial quantities of infringement goods. It is difficult to trace such goods. The customs at the Airports are not trained to detect/ identify counterfeit goods. Moreover, they are interested to collect custom duties on the imported goods.