

4.2 Intellectual Property Rights

The IPR Committee position paper:

IPR issues are an important component in Malaysia's current negotiations with several foreign countries such as India, the United States of America, Chile, Australia, New Zealand and Korea to finalise the Free Trade Agreement (FTA) as well as the regional FTA negotiations EU has launched with ASEAN. The FTA with its intention to establish open trading conditions would encourage inflow of private sector investment for research in pharmaceuticals and other fledging sectors, namely heavy duty industries, chemical and electronics into Malaysia. One of the conditions in the forefront of the FTA would be the need to further strengthen the protection and enforcement of intellectual property rights in Malaysia and to tackle various unresolved intellectual property rights issues in the country. These issues are further elaborated below.

Malaysia's legal system is fundamentally based on the English common law. Historically, Malaysia's intellectual property laws are closely linked to the evolution of such laws in the United Kingdom. Before identifying the challenges encountered and issues to be addressed, it should be emphasised that Malaysia's intellectual property laws are generally in conformity with international standards, particularly having regard to the amendments made due to Malaysia's obligations under the TRIPs Agreement.

Malaysia is a member of the following treaties and conventions:

1. World Intellectual Property Organisation (WIPO).
2. Berne Convention for the Protection of Literary and Artistic Works (1886).
3. Paris Convention for the Protection of Industrial Property (1883).
4. Agreement on Trade Related Aspect of Intellectual Property Rights (TRIPs) signed under the auspices of the World Trade Organisation (WTO).
5. Patent Cooperation Treaty (PCT).

This is evident through the various intellectual property related legislations and regulations which include the following:

1. The Patents Act 1983 and the Patent Regulations 1986.
2. The Trade Marks Act 1976 and Trademarks Regulations 1997.
3. The Copyright Act 1987.
4. Industrial Designs Act 1996 and Industrial Designs Regulations 1997.
5. Geographical Indications Act 2000.
6. Layout-Designs and Integrated Circuits Act 2000.
7. Trade Descriptions Act 1972.
8. Consumer Protection Act 1999.
9. Optical Discs Act 2000.
10. Protection of New Plant Varieties Act 2004.

The presence of these fundamental laws goes to demonstrate Malaysia's continuing interest and commitment in pursuing the development of IPR-related issues in the country.

What are the salient Intellectual Property Rights (IPR) issues in Malaysia?

Although there are various issues that could arise, the following seem to be regularly in the forefront for foreign investors when dealing with IPR issues in Malaysia:

1. Enforcement
2. Border Measures
3. Territoriality of Trade Marks and Well-Known Trade Marks

Enforcement

Although Malaysia does have fairly advanced and comprehensive laws on the protection of IPR, the issue and extent of enforcement of these rights often cause concern to the IPR holder. There are essentially the civil and criminal methods of enforcement in Malaysia and they are as set out below.

Civil Action

The civil action mode suggests a dispute resolution mechanism between the parties, which are in conflict. This action is usually commenced through an exchange of demands, and if unresolved, would result in litigation. Given that the principal remedy in an IP related action involves injunctive and other equitable relief, actions are almost always commenced at the High Court. The other remedies that avail to the IPR holder

would include damages (or an account of profits, discovery, delivery-up and cost). As IPR related disputes often result in the degeneration and dilution of the rights, interim relief would often be required while the dispute is pending a final disposition after trial. Such interim relief is available to the court of equity through interlocutory injunctions and Anton Piller Orders.

Criminal Enforcement

Although this is essentially a state action, criminal enforcement is usually initiated by filing an official complaint with the Enforcement Division of the Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC) in the IPR field are almost always premised on offences under either the Copyright Act 1987 (which deals with copyright related offences) or the Trade Descriptions Act 1972 (which deals with trade mark and trade descriptions related offences). The enforcement actions that would be taken by the MDTCC, include conducting raids at identified premises, seizing the offending goods and collation of evidence. Criminal prosecution can follow such actions if there is sufficient evidence to warrant such an action. The MDTCC alternatively has the option of imposing compound on the target and upon payment of the compound, the seized goods are likely to be forfeited for destruction.

The MDTCC has been very active over the past few years in combating piracy and counterfeiting activities in Malaysia as can be seen from the statistics set out below.

Eradication of Counterfeit Products

Year	Total Number Of Cases	Total Value Of Seized Items (RM)
2004	3,914	98,166,687.27
2005	2,606	12,212,808.55
2006	2,018	42,686,237.69
2007	1,936	56,169,682.09
2008	1,528	23,463,304.88
2009	409	3,570,857.51
2010 (until 31.01.2010)	36	101,388.40

Source: <http://www.kpdnhep.gov.my>

Eradication Of Copyright Piracy Activities

Year	Total Number Of Cases	Total Value Of Seized Items (RM)	Premises Inspected
2004	4,390	59,216,259.00	25,508
2005	3,812	100,370,598.00	38,069
2006	3,792	120,001,103.00	38,166
2007	2,720	54,907,108.49	70,863
2008	1,942	20,680,942.20	150,310
2009	902	33,537,375.81	112,799
2010 (until 31.01.2010)	107	1,415,095.00	5,704

Action Taken On Business Owners

Year	Total Number Of Cases	Total Value Of Seized Items (RM)
2004	15,534	177,597,239.12
2005	16,792	188,058,574.84
2006	15,066	271,919,968.54
2007	11,902	145,262,739.99
2008	10,188	111,347,914.45
2009	4,130	43,854,325.73
2010 (until 31.01.2010)	348	3,312,574.70

Source: <http://www.kpdnhep.gov.my>

Despite the implementations and actions taken above, there are various challenges in the enforcement of IPR both on the civil and criminal sides which are set out below.

Challenges of Enforcement of IPRs

1. Notwithstanding the establishment of specialised IP courts in July 2007, litigants still encounter inordinate delay in the court process which has inevitably resulted in backlog of cases. This could be due to the fact that there are currently 1 designated High Court Judge at the High Court of Malaya, Kuala Lumpur and 2 designated sessions courts in Kuala Lumpur for IP cases.
2. Due to the technical nature of IP laws and lack of familiarity, there is a possibility that misunderstandings / miscomprehensions of IPR and the law could occur in court.
3. In certain instances, IPR holders fail to provide full co-operation to the prosecution of the case in Court, commonly in the form of providing expert witnesses, proper lab analysis reports or professional assistance to facilitate the prosecution.
4. After raids are conducted, prosecution of offenders are not commenced quickly or not at all. IPR holders as a result of which may have lost interest in the case by the time an action is commenced due to the delay involved – stagnation of court process.

5. Barriers faced by the MDTCC in the prosecution of IP cases include:
 - lack of cooperation from IP holders;
 - lack of or insufficient evidence to prosecute the master minds or key players involved;
 - failure of witnesses to attend Court;
 - questionable rights (higher courts tend to challenge the rights owned by the IPR holder).
6. Investigations are sometimes not conducted thoroughly enough.
7. Lenient sentences imposed on offenders and the low fines are not acting as strong enough deterrents. Custodial sentences are rarely given.
8. Counterfeiting and piracy have now become organised crimes controlled by syndicates and currently there are lack of effective legislations to combat this new approach.
9. A continuing perception that IPR infringements are not serious crimes or are victimless crimes.
10. Expensive and protracted proceedings involved.

Recommendations

1. Additional judges are appointed to specifically deal with IP matters alone.
 As indicated above, this, to a certain extent, has been addressed by the setting up of the IP Court on 17 July 2007 through the launching of the Criminal Session Court 4 in Kuala Lumpur being renamed and officiated as the first Intellectual Property Sessions Court, and the setting up of a High Court of Malaya dedicated to IPR related disputes in Kuala Lumpur on the same day. Over the last one year there has certainly been a more efficient and systemised approach in resolving IPR disputes. It is clear from the number of cases involved that there should be additional judges being appointed to address the substantial backlog of cases and significant delay currently encountered.
2. Dedicated team of public prosecutors specialising in IP crime should be established. We are given to understand that MDTCC has plans to enlist the assistance of deputy public prosecutors from the Attorney General's Chambers to prosecute IP cases. Such plans would definitely address the challenges encountered and are highly commendable.
3. Some form of encouragement for IPR holders to generate interest in pursuing their claims, for example:
 - Create awareness of the consequence of counterfeit in monetary value;

- Information disseminated to public on counterfeiting through ad campaigns for more effective IP enforcement;
 - Reward scheme offered to informants.
4. The industries, recognising and appreciating the challenges encountered by the enforcement officers in carrying out their duties, should conduct regular and periodic capacity building programs for enforcement officers. Such capacity building programs would include product identification techniques, assisting the enforcement authorities to develop and establish standard operating procedures in conducting search and seizures, investigation skills and techniques in gaining, gathering and managing evidence as well as enhancing the prosecutors' advocacy skills and techniques.
 5. The loopholes and shortcomings found in the IP legal framework should be tightened.
For example, there should be imposition of minimum fines or depending on the amount of goods seized or if the value of seized goods exceeds a certain amount, the Court must impose a custodial sentence. Any burdensome documentary requirements and method of proving subsistence and ownership should be addressed.
 6. Enforcement officers could be given a wider scope of power, for example:
 - To work hand in hand with other governmental agencies under task forces (for manpower purposes to reduce delay);
 - The exchange of information and intelligence between these task forces / governmental agencies;
 - Encourage cooperation among governmental agencies;
 - Provide police personnel with support and training.
 7. Collaboration between IP holders and enforcement/task force by holding regular meetings/forums to share information and assist in combating counterfeiting and piracy.

Border Measures

With the advent of globalisation, the movement of infringing goods through the borders of various countries have been on the rise. Developing countries continue to be a hot bed for such activities particularly where the infrastructure for transshipment is good. Malaysia, in dealing with this issue and in fulfilling their treaty obligations, has enacted various border provisions, particularly into the Trade Marks Act 1976. The Border provisions allow the proprietor of a registered trade mark or an agent of the proprietor to make the requisite complaint or

request (by filling in the prescribed forms) to invoke these border provisions. Once approval for such action has been granted, necessary measures are undertaken to notify the authorised officer, being a proper officer of customs as defined under the Customs Act 1967. The officer then has the power to restrain and prohibit the importation of such the goods identified in the Registrar's notice and shall seize and detain the infringed goods at the point of entry into the country.

However, in light of the availability of this avenue, border measures suffer the following drawbacks that result in the difficulty to rely upon it as a protective measure for IPR holders.

Setbacks / Problems of Border Measures

1. Border control is only available for counterfeit goods where trademarks are registered Malaysia. These actions would not avail to common law owners.
2. The provisions under the Trade Marks Act 1976 provides for the restriction and prohibition on importation of counterfeit trade mark goods once triggered by a complaint / application by an IP owner. While ex-officio powers are provided by the Act, this is rarely utilised by the relevant authorities. Due to the highly onerous requirements imposed in the Act, these border measures are rarely invoked by IP holders.
3. Bulk of counterfeit goods – The growth of industrialisation of low cost manufacturing countries, i.e. China, Vietnam, Indonesia, generate an increase of infringing products entering the country. The tracking of these goods are difficult, because:
 - Sometimes, parts of products are brought into the country to be assembled locally;
 - Local contacts;
 - Packaging and labelling done in the country;
 - Identification of the relevant details of a possible infringing importer such as the registration number of the ship / aircraft / vehicle, name of the place of the counterfeit trade mark goods expected to be imported, expected date and time of arrival, is difficult. The gathering of such intelligence information, being a requirement under the Act, is not practical as this information, in most instances, would be unavailable to the IP owner;
 - Evidence gathering may be time-consuming in nature.
4. Air travel training provided to customs at the airports does not include training to detect / identify counterfeit goods.

5. Due to the absence of training with regards to counterfeit goods, the level of awareness amongst customs officers needs to be improved as they currently are not provided with substantive amounts of motivation to combat piracy / counterfeiting.
6. Customs officers do not view IPR as a priority often focussing on their more traditional role of dealing with prohibited items and duties chargeable on imported products.

Recommendations

1. Training for customs officers should include training to enforce IPRs at all borders and/or more involvement from MDTCC officials' in dealing with border enforcement.
2. Sharing of information is crucial – intelligence sharing, customs handshake (agreement with customs officials from other countries).
3. Cooperation between agencies are crucial – INTERPOL, WTO, WIPO.
4. Rights holders must support the Customs in far more efficient enforcement of rights.
5. Record IP rights with Customs in order to assist in up-keeping a regular monitoring system – “to keep on the look out”.
6. Verification of importers.
7. Identification of importers/high risk companies.
8. Conduct joint enforcement actions.
9. Brand owners / industry to train front line officers in identifying counterfeit/pirated goods.
10. Use the media (through press releases and press conferences) when counterfeit goods are seized. This would act as a warning / deterring factor.
11. There is also a critical need to address lack of express authority and power on the part of the Customs administrations under the Customs Act 1967 to prevent/prohibit the importation and exportation of counterfeit goods at the border, and to put in place the required laws and procedures to facilitate the exercise of this authority and power. This will also change the mindset of the Customs officers to deviate from their traditional role of collection of taxes and revenues to the fact that they could play a pivotal role in effective enforcement of IPR.

Well-Known Trade Marks

Trade Mark rights are largely territorial in nature. This would mean that a foreign trade mark owner whose trade mark has no connection in Malaysia either through registration and/or use would not have rights in Malaysia (whether under the Trade Marks Act 1976 or in common law). This rigid requirement to a certain degree has been watered down by the introduction of the provisions relating to the protection and enforcement of well-known trade marks in the Trade Marks Amendment Act 2000. The advent of globalisation, which has increased worldwide advertisement and promotion of trade marks across the globe has resulted in increase knowledge of the repute of marks around the world. The well-known trade mark provisions introduced by the Trade Mark Amendment Act 2000 allow the protection and enforcement of well known trade marks in Malaysia even though the said particular trade mark has not been registered or used in Malaysia. The protection and enforcement would take the following form.

1. The denial of registration of marks which are identical or nearly resembling a well-known trade mark.
2. Injunctive remedy for the owner of a well-known trade mark to prevent use of another trade mark which is identical or so nearly resembling the well known trade mark. The criteria of the mark being “well-known” depends on the degree of knowledge or recognition of the mark in the relevant sector of the public and a competent authority of Malaysia, whether or not it is registered or used in the country.

Various IP Actions taken so far

1. Malaysia launched the National Intellectual Property Policy on 27 April 2007. The program’s goal is to harness IP as a new engine of growth to enhance economic and social prosperity. This project has been allocated a budget of RM5 million to be utilised over the next 5 years.
2. IP Courts in Malaysia The IP Courts have been set up in Malaysia and since the setting up of the Courts, there has been a more efficient disposition of IP related disputes particularly in civil actions in the Kuala Lumpur High Court. Further, 15 Sessions Courts have been earmarked to deal with IP matters, one in each state including Putrajaya, and 6 High Courts have been earmarked to deal with IP matters in Kuala Lumpur, Selangor, Johor, Perak, Sabah and Sarawak.

3. Courts have taken a more strict approach in arriving at their decisions concerning IP infringement.

Example: 10 December 2009: A fine in the amount of RM20 million was imposed on a bistro owner in Penang for loading 10,000 foreign and local songs into his karaoke set, under the Copyright Act 1987.

4. On 7 December 2009 – forty-seven judiciary and Attorney-General's Chambers officers completed the Certificate Course on Intellectual Property Law organised by the Intellectual Property Corporation of Malaysia (MyIPO) in collaboration with the Malaysian Biotechnology Corporation of Malaysia (BiotechCorp), in Kota Kinabalu. The course consisted of three modules namely, Copyright Law, Trademark Law and Patent Law was to equip the officers of the IP Court with the necessary knowledge on intellectual property law.
5. The campaign "*Ops Sikap Tulen*" was launched by the Malaysian Ministry of Domestic Trade and Consumer Affairs (as it was known then) to "cultivate in people a culture of going original", in order to intensify its combat against software piracy. The campaign is a move towards educating and creating awareness amongst the general public on the need to respect and adhere to intellectual property rights. The campaign includes advertisements appearing in local dailies aimed at licensed professionals informing them of the consequences of using pirated software.
6. Public awareness and interest in IP rights have been boosted through the following:
 - a) April 26th earmarked as National IP Day to cultivate and increase the awareness in Intellectual Property rights amongst the public.
 - b) National Budget 2010 –
 - (i) Formulation of Creative Industry Fund.
 - (ii) RM3 million grant for a welfare fund for artists / actors.

- (iii) Under the Income Tax Act 1967 (as amended), expenses incurred on the registration of patents and trademarks in the country are deemed to be capital expenditure and not allowed as a deduction for tax purposes. However, now, it has been proposed that expenses incurred in the registration of patents and trademarks in Malaysia be allowed a tax deduction for the purposes of computing the chargeable income of small and medium sized enterprises.
 - c) 'Malaysia Innovative 2010' programme launched on 27 January 2010 to move the innovation agenda in Malaysia forward and increase the competitiveness in this field to a higher level. This was launched to increase the public's awareness and appreciation over intellectual property rights in this sector.
- 7. Ensure the upcoming review and amendment of the all IP related legislation, in particular the Copyright Act 1987 so that:
 - (i) certain provisions may be strengthened / loopholes may be dealt with
 - (ii) the Government may take action against owners of pirated video compact discs meant for private use; and
 - (iii) the Government may take action against owners of business premises who allow their premises to be used for illegal activities.