

A Compendium of TM Matters in Malaysia

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It is commonly known that businesses and companies often undertake brand investment in order to increase their market share, which in turn will further enhance their reputation and goodwill. What is lesser known perhaps is that brand investment has the ability to induce a positive and substantial economic development of a market economy. A 2015 Policy Brief prepared for the European Centre for International Political Economy written by Fredrik Erixon and Maria Salfi, had a cogent discussion on the role of trademarks for a country's economic development and how building value in trademarks and brands supports this contention.

Fast forward to the present, the International Trademark Association (INTA) in September last year had released the results of an impact study conducted by Frontier Economics across five major ASEAN economies which seemed to substantiate the above point. The impact study report indicated that there was a positive correlation between trademarks and their economic contributions to a country's GDP, employment and share of exports. Specifically, the data gathered was to show how trademark intensive activities by trademark intensive industries contributed to technological innovation and international business growth. Trademark intensive industries were defined as those industries which file more trademarks than others with an above-average use of trademarks per employee.

Out of the 5 ASEAN countries – Singapore, Malaysia, Indonesia, the Philippines and Thailand – which took part in the study, Malaysia came in at a highly respectable second position with a 30.3% direct contribution to GDP whilst the indirect contributions stood at 60%. Direct contributions were defined in terms of employment, output and value added generated by a particular trademark-intensive industry. Indirect contributions designate the interdependencies between the trademark intensive industries and non-intensive ones.

Amongst the findings, it was noted that 55% of the country's share of exports were led by trade mark intensive industries that include manufacturing of computers, electronics and related equipment, which in turn make up for about 19% of the country's total manufacturing value-add. What this means is that the various trade mark intensive industries in Malaysia significantly promote their activities within the business communities, government and the consuming public, all of which led to immense cross sectoral economic growth for the country. Whilst this is something to be proud of, it must be noted that such a high percentage would not be possible if there isn't any effective protection and enforcement trade mark system made available to trademark and brand owners. In addition to brand investment, businesses and companies from trademark intensive industries ought to have in place a coherent and strategic system of filing trade mark applications and upon registration, proper enforcement of their rights must be ensured.

Last year, the Malaysian IP Office (MyIPO) statistics serve to underscore the results of the impact study. MyIPO received its highest number of trade mark applications filed to date with 41,093 new filings. This was a whopping 58% increase in trademark applications filed within the last decade. The healthy number of trademarks filed last year continue to signify that Malaysia remains an attractive country to invest in, particularly for foreign brand owners and this is reflected in their consistent level of confidence in the country's trade mark

system. In 2007, there were 25,894 trade mark applications with 13,605 applications filed by foreign applicants and 12,289 by the locals. Interestingly, it can be seen that even then there was an almost equal number of filings in both categories of applicants. This trend has continued and last year's data showed a 10% variance between the foreign applicants with 21,612 trademark applications filed and 19,481 applications filed by local businesses and individuals. This variance suggests that throughout the last decade, more and more local companies are taking proactive measures in obtaining trade mark protection.

At the end of the trademark spectrum is the effectiveness of enforcement for registered marks. It would not mean much to a trademark owner if their registered trademarks cannot be effectively enforced in the face of infringement or passing off issues. There is a dual pronged approach for enforcement here in Malaysia. One would be by way of civil litigation where the brand owners would initiate legal action against perpetrators who they deem are impinging upon their registered rights or common law rights. The other is by way of a criminal sanction in trademark enforcement. The relevant government agency that has been tasked with this responsibility is the Enforcement Unit of the Malaysian Ministry of Domestic Trade and Consumerism. Last year, the Enforcement Unit had acted on almost 1500 complaints lodged based on the Trade Description Act 2011 with various raids and seizures being conducted. The most useful tool under the Act is the Trade Description Order (TDO) made available to proprietors of registered trademarks. It is a Court Order that declares any infringing mark or get-up as a false trade description when applied to goods specified in the Order and is an effective enforcement tool for registered brand owners.

Turning to trade mark cases, although there are no available statistics there is a recent Federal Court decision, **Low Chi Yong (t/a Reynox Fertilchem Industries) v Low Chi Hong & Anor [2018] 1 MLJ 175** which dealt with the issue of whether a registered proprietor was entitled to defend his statutory rights amidst allegations of abandonment. The trademark in question 'Reynox' was initially filed by the appellant who is the brother to the first respondent and a shareholder of the second respondent. According to the respondents, the trademark was to be registered under the names of the appellant and the first respondent initially and was later to be transferred to the second respondent. A partnership was also formed by the appellant and the first respondent, which also used the trademark. After the business relationship went south and the appellant left, he claimed for trademark infringement and passing off in respect of the registered goods being liquid fertiliser. The respondents counter claimed that the appellant had consented to the use of the mark through his involvement with the second respondent and alleged an assignment of the registered mark from the appellant to the second respondent which did not follow through.

The High Court allowed the appellant's claim and dismissed the respondents' counterclaim. The respondents then appealed to the Court of Appeal where the appeal was allowed and the decision of the High Court was set aside by the Court of Appeal. Hence the present appeal to the Federal Court, the apex of the Malaysian judiciary.

After sifting through the evidence and considering both parties' legal submissions, the Federal Court held the following:

1. The appellant had exclusivity over the trademark as it was properly registered under his name at MyIPO. There was no dispute that the consent was granted to the second respondent to distribute the goods bearing the registered trademark but the consent was revoked when the appellant left the second respondent. The evidence

also showed that he asserted his ownership by sending various notices to the respondents asking that they cease and desist from using his registered trademark.

2. Under Section 36(1) of the Trade Marks Act, the fact that a person is registered as the proprietor of a trademark shall be prima facie evidence of the validity of the original registration and any subsequent assignments and/or transmission.
3. With the registered trademark being valid, the appellant had the exclusive right to use the trademark as well as the right to prevent others, who were using the trademark or any marks similar to it in respect of the registered goods.
4. The appellant had established a prima facie case of infringement of his registered trademark by the respondents and the actions of the respondents in using the appellant's trademark without his consent and authorization had in turn led purchasers to believe that the respondents' products were the same and/or associated with one another.
5. Under Section 40(1)(dd) of the Trademarks Act, the infringement can be avoided if the appellant at any time had expressly or impliedly consented to the use by any other person. In this instant, the Court found ample evidence to establish that the appellant had sent out various notices to the respondents informing them that he was the sole registered proprietor of the 'Reynox' trade mark and that they should refrain from using it without his permission.
6. On the other hand the Court did not find any evidence of the alleged assignment as raised by the respondents. The Court subsequently confirmed that ownership of the registered trademark resided in the appellant alone.
7. There was also no evidence found to conclude that the appellant had abandoned his rights in his trade mark. Instead there was ample evidence to establish the opposite.

This case serves to highlight the importance of having proper records insofar as ownership and transfer of ownership of registered and/or pending marks is concerned. This case not only involved siblings but businesses owned by the siblings themselves. The intention of joint ownership for a trademark (allowed in Malaysia) must be clear with the respective documents properly filed at MyIPO. Likewise, any intention of having a mark assigned to another party must be duly reflected in MyIPO's records. Last but not least is the importance of establishing who the permitted user of a registered trademark is and having it duly recorded at MyIPO. Use by a permitted user is deemed as use of the mark by the registered proprietor himself. It is not often that a trademark appeal receives an audience before the Federal Court as leave to appeal must first be sought and subsequently granted. The clarification on the issue of ownership and the relevant sections pertaining to it is of significant interest in the development of Malaysian trademark case law.

On the legislation front, it is fairly disappointing to note that the amendments to the Trademarks Act 1976 have yet to be passed by Parliament. The amendments to the law are necessary for Malaysia to accede to the Protocol relating to the Madrid Agreement concerning the international registration of trademarks. The accession to the Madrid Protocol was a part of the ASEAN Economic Community obligation and commitment to the ASEAN Blueprint 2025. At press time, Malaysia and Myanmar remain the only two countries that have yet to join Madrid Protocol. In all fairness, all the relevant preparation had been undertaken by MyIPO in terms of upgrading their infrastructure, clearing their backlog,

sending their personnel for the relevant training as well as initiating a new international trade mark division. The rest, as they say are in the hand of the lawmakers.

In summary, one can safely conclude that it has been a highly encouraging year for Malaysia on the trademarks front. Trademark filings has reached its highest number in the last 10 years. The released report on the impact study conducted underlined the fact that this country has a relatively buoyant economy amongst the rest in ASEAN, driven by trademark intensive industries through their trademark intensive activities. Trademark enforcement and protection efforts continue to be positive and although the overall value of all seizures were not significantly huge (less than USD 5,000) the number of cases display the government's continued commitment in combatting IP piracy and supporting bona fide trade mark owners. Perhaps the icing on the cake would be for Malaysia to finally join the Madrid Protocol but this remains to be seen. It is certainly hoped that this will come to fruition before the end of 2018.