

IPR Enforcement Options in Malaysia

Most of the significant advances in Malaysia's protection and enforcement of IP rights have occurred in recent years. Chew Phye Keat and Patrick Lim examine some of the initiatives recently undertaken by the authorities, the legal profession and IP rights owners to further develop and improve protection and enforcement in Malaysia.

By Chew Phye Keat and Patrick Lim

The enforcement of intellectual property rights in Malaysia is an interesting endeavour to say the least. The recent years have seen an increase in IPR awareness in the country, which has resulted in a corresponding increase in local IPR registrations and enforcement. Malaysia has taken big steps in raising IPR awareness and protection, including the establishment of dedicated IPR Courts both in civil and criminal jurisdictions, as well as an increase in bilateral cooperation between the legal fraternity and the relevant government authorities to improve the efficiency and effectiveness of IPR protection in Malaysia.

The path of progress for Malaysia has seen its fair share of obstacles. Despite all the progress made in the field of IPR, there are those who for the most part, still consider IPR to be the exclusive domain of society's elite and the so called "corporate giants." Changing this perception and the acceptance that IPR infringement is a moral wrong has been – and still is – an uphill battle.

To compound matters, counterfeiters in Malaysia have become increasingly sophisticated with comprehensive, well-structured distribution and transport networks. Most counterfeiters have become quite tech savvy, often deploying the latest technology to improve the efficiency and safety of their operations. The quality and durability of counterfeit products have also tremendously improved over the years; there have been instances where, in terms of quality, the counterfeit products could not be differentiated from the genuine products.

With this in mind, the following paragraphs provide a summary of the available IPR enforcement options that may help IPR owners and professionals better understand the available IPR enforcement options available in Malaysia.

Available Options

Basically, there are two modes of enforcement in Malaysia: criminal/administrative actions and civil actions. Both modes are not mutually exclusive and may be initiated simultaneously or consecutively.

Criminal/Administrative Actions

Adequate legal framework exists for criminal/administrative actions, and such actions are primarily undertaken by the Enforcement Division (ED) of the Ministry of Domestic Trade and Consumer Affairs. The main statutes here are the Trade Descriptions Act 1972, the Copyright Act 1987 and the Consumer Protection Act 1999. Penalties include fines and/or imprisonment. Although a criminal/administrative action is conducted by the ED, such ac-

tions are usually initiated at the instance of IPR owners. A summary of the procedure is as follows:

- (i) a written complaint is prepared by the IPR owner or its appointed representative and lodged with the ED;
- (ii) the complaint is reviewed and the IPR owner or its representative is informed by the ED on whether a decision has been made to act on the complaint;
- (iii) if the ED decides to act, a team will be assembled by the ED and the team will proceed to the identified premises to conduct an inspection or search (the presence of a representative from the IPR owner is usually required);
- (iv) any infringing products found will be seized;
- (v) thereafter, the ED will appoint an investigating officer to assess the evidence collected and the investigation papers will be filed with the prosecution unit of the ED for consideration on further prosecution;
- (vi) if prosecution is decided upon, the case will be sent to the public prosecutor's office for the filing of charges at the criminal courts.

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The search and seizure of the infringing products usually occurs within one or two weeks from the lodging of the complaint. In cases of urgency, the search and seizure may occur on the same day as the lodgement of the complaint. A decision on the criminal prosecution and the subsequent filing of the charge papers usually takes about six to 10 months from the date of search and seizure.

Due to the relatively quick reaction time between the lodgement of the complaint and the execution of the search and seizure, coupled together with the attendant criminal penalties, this option is usually the preferred mode of enforcement where the IPR owner seeks to take strict action and create an impact in the market.

However, this option requires clear evidence of infringement before the ED will act on a complaint, which may not be possible in some cases as the obtainable evidence may only be circumstantial at best. Another consideration here is that the role of IPR owners is at most advisory and the direction of the criminal/administrative actions is usually at the discretion of the ED and not the IPR owner.

In Malaysia, IPR owners may appoint law firms as its representative for the purposes of initiating criminal/administrative actions. Depending on the complexity of the matter, the legal fees for the preparation and lodgement of the complaint, coordination and consultation on the search and seizure, and subsequent verification of the seized products usually range between RM4,000 to RM10,000 (US\$1,150 to US\$2,850).

Civil Action

Civil action usually involves the issuance of cease and desist letters accompanied by demand notices, which in turn lead to settlement negotiations and, when all else fails, the filing of civil suits. The escalation of the stages in a civil action will usually depend on the evidence, the sensitivity of the target, the personalities involved and the all important factor, budget. The length of time taken for civil actions may range from a few weeks where the infringer decides to surrender at the initial stages, to a few years where the settlement negotiations are drawn out or where a civil suit is filed. Although Malaysia has established specialised IP Courts, a civil suit filed may take anywhere between eight months to five years before the matter is fully resolved. However, there are exceptions where extremely urgent interim applications may be heard on the same day the application is filed. Civil remedies that may be awarded by the Court include injunctions, orders for delivery up or destruction of the offending products, damages or account of profits, and a declaration of infringement.

The costs involved in a civil action would depend on the type of

action taken and the stage at which the matter is finally resolved. This usually ranges between a few thousand to a few hundred thousand Malaysian ringgit.

Despite the possible length of time and costs involved, civil action may be preferred for a number of reasons, such as lack of direct evidence of infringement, sensitive target, commercial efficacy, or cost concerns (e.g. where only the initial cease and desist letter is the only action desired without any further escalation to the filing of a civil suit, keeping the cost of the action low).

Evidence and Practical Considerations

The search and seizure of the infringing products usually occurs within one or two weeks from the lodging of the complaint with the Enforcement Division. In cases of urgency, the search and seizure may occur on the same day as the lodgement of the complaint.

The following is a checklist of the main practical considerations and evidence that will assist IPR owners to determine the best course of action. This list is not exhaustive.

- The availability of the relevant IPR documentation, e.g. certificate of a valid trade mark or industrial design registration, copyright declarations, or grant of patent;
- The identity of the potential target, number of locations, size of target, and/or estimated quantity of the offending products;
- Photographs and other documentary evidence such as in-

voices, delivery or purchase orders, or inventory lists;

- Sample purchases of the infringing product and if possible an analysis report on the distinguishing features between the genuine article and the infringing product;
- Statements from informants, ex-employees, or investigation or surveillance reports; and/or
- Other relevant information such as the best time for the ED to conduct the search and seizure, access points and security deployed at the premises.

Adopting the Proper Strategy

The foregoing information should provide a basic overview of the available options for IPR enforcement in Malaysia. But as wise men are wont to say, success and failure is determined not by the type of action that is taken, but by the strategy and tactics behind them.

The first step is to determine the objectives of the action, i.e. deterrence, education or both, followed by identifying the nature and extent of infringement. Once that is done, a legal audit should be conducted on the available and obtainable evidence, the relevant applicable laws and the suitability of options available.

The next step is to prepare an action plan. Failure to do so may result in ineffective enforcement. Depending on the type of infringement found, the IPR owner should take care in deciding over a targeted approach or a holistic one.

For example, where it is found or at least suspected that the

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infringement is extensive and substantial, IPR owners may opt for a long term and sustainable program aiming at deterrence and education. Any such program would include regular brand awareness and loyalty campaigns, publicised enforcement action and IPR education drives. A good example of this would be business or commercial software. As recently as five years ago, an average consumer could purchase unlicensed business or commercial software at almost every mall or IT retailer. Through constant enforcement actions, educational and awareness drives and brand recognition and loyalty programs, the software owners have established a reputation for zero tolerance for IPR infringement of business software. Nowadays, unlicensed business software appears to be almost a taboo in the commercial IT industry in Malaysia.

There are also instances where a full-blown enforcement program would just be too taxing on the resources and finances of an IPR owner. However, as our experience has shown, if the proper strategy and tactics are employed, together with a little bit of luck, even a single event may achieve the far-reaching results.

A case in point is a simple cease and desist exercise conducted by a client who owned the patent and copyright of a flag device widely sold during Malaysia's National Day celebrations. When counterfeits of the flag device were found in major hypermarkets, cease and desist letters were prepared and sent out to the respective hypermarkets. Disclosures by the hypermarkets led to the identification of the infringer which happened to be a common source for all the hypermarkets. Thereafter, a letter of demand was issued to the infringer and through careful strategis-



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ing, the client was not only able to obtain substantial damages, a personal apology and recover costs, but had also leveraged on the infringers existing relationship with the hypermarkets to establish commercial arrangements for future distribution of his product. This was a big victory for the client as the client previously had no access to these hypermarkets.

Concluding Remarks

The IP landscape of Malaysia is still developing. Most of the significant advances in the protection and enforcement of IPR have only occurred in the recent years. New and fresh initiatives have been undertaken by the relevant authorities jointly with both the legal profession as well as IPR owners to further develop and improve IPR protection and enforcement in Malaysia. In fact, as recently as March 14, 2009, it was reported in The Sun daily newspaper that the ED had issued a stern warning that it was expanding its copyright enforcement to the homes of consumers. Whether this warning is enforced remains to be seen. As this is but a small reflection of Malaysia's drive towards embracing comprehensive IPR protection and enforcement, the next few years are going to be interesting to watch.

