
Intellectual Property

Intellectual Property Case Updates - Malaysia

Former Licensees Found Liable For Trade Mark Infringement After Withdrawal of Consent By Trade Mark Owner

Low Chi Yong (trading as Reynox Fertilchem Industries) v Low Chi Hong & Anor

Facts

The Appellant (Low Chi Yong) filed an action for trade mark infringement against the 1st Respondent (Low Chi Hong) and 2nd Respondent (Reynox Sdn Bhd) in the High Court based on his registered trade mark "Reynox".

In their defence the Respondents contended, *inter alia*, that :-

- (a) the registration of the trade mark was obtained by the Appellant by fraud committed on the 1st Respondent since the trade mark was supposed to have been registered in the name of the Appellant and 1st Respondent and thereafter to be transferred to the 2nd Respondent;
- (b) the Appellant had given his consent to the Respondents to use the trade mark and he was in fact a shareholder and a director of the 2nd Respondent;
- (c) despite the fact that the Appellant had resigned from the 2nd Respondent, the Respondents continued to have the right to use the trade mark as the consent given by the Appellant was an assignment; and
- (d) the Appellant had abandoned his exclusive right to the trade mark by failing to enforce his rights since 2005, which also meant that the Appellant was guilty of acquiescence, estoppel and laches.

Decisions of the lower Courts

The High Court found in favour of the Appellant and held that the Respondents had infringed the Appellant's trade mark "Reynox".

The Respondents appealed against the decision. The Court of Appeal reversed the decision of the High Court and held that the Respondents had not infringed the trade mark as they had been using it with the consent and approval of the Appellant.

The Court of Appeal further found that the conduct of the Appellant was unjust and inequitable, as well as oppressive when he terminated the use of the trade mark without reasonable notice.

Client Update: Malaysia

2017 DECEMBER

Intellectual Property

Decision of the Federal Court

On appeal by the Appellant, the Federal Court disagreed with the Court of Appeal and found in favour of the Appellant. The Federal Court reinstated the decision of the High Court.

The Federal Court held that trade mark infringement had been established by the Appellant and the defences raised had not been proved on the evidence adduced by the parties.

On the alleged consent given by the Appellant, it was held that while the Appellant did initially give his consent to the Respondents to use the trade mark the consent was subsequently withdrawn by notices sent out by the Appellant's solicitors to the Respondents. Consequently, the legal effect of the consent ended upon the issuance of the notices.

The Federal Court also found that the defence of assignment was untenable since there was no evidence adduced to prove that the said consent was in fact an assignment. This was further supported by the fact that there was no evidence to show that the alleged assignment was recorded by the Registrar of Trade Marks under Section 47 of the Trade Marks Act 1976.

On the issue of abandonment, acquiescence, estoppel and laches, the Federal Court held that :-

- (a) to "abandon" means to give up absolutely and irrevocably, and non-use alone is not sufficient. It is a question of intention which is to be inferred from the facts of each case. Further, no particular duration of time is necessary for abandonment to arise; and
- (b) consent on the part of the claimant is an "*integral ingredient*" to establish the doctrine of acquiescence, estoppel and laches; and
- (c) on the totality of the evidence, there was no evidence to enable the Court to conclude that the Appellant had abandoned his trade mark or that he was guilty of acquiescence, estoppel and laches. On the contrary, the Court found that there was ample evidence to show that the Appellant did not abandon his trade mark and did not waive his right thereto. For instance, he renewed his trade mark registration; he withdrew the consent given to the Respondents; and he served notices putting the Respondents on notice of his exclusive right to the trade mark.

Conclusion

This case is one of a few trade mark infringement cases which went all the way to the Federal Court. Thus, the decision represents a welcome judicial development by the highest Court in Malaysia on the principles discussed and expounded therein.

Licenseses of trade marks should beware of the nature, extent and duration of the rights they are granted under a trade mark licence. In order any avoid potential disputes, it is advisable for trade mark owners (licensors) and their

Client Update: Malaysia

2017 DECEMBER

Intellectual Property

licensees to have in place a properly drafted licence agreement to govern their relationship vis-à-vis the use of the trade mark in question.

Appellate Court Overturned Award of Damages In Connection With Execution of Search and Seizure Warrant Under Copyright Act 1987

Kerajaan Malaysia & Ors v Then See Nyuk & Anor

Facts

The Respondents (Then See Nyuk and Chong Chee Cheong) were partners of an internet cafe called “Gen X”. The 1st, 2nd and 3rd Appellants were, respectively, the Government of Malaysia, Ministry of Domestic Trade, Co-operatives and Consumerism, and an Enforcement Assistant of the 2nd Appellant.

The Respondents’ internet cafe was raided by a team of enforcement officers from the 2nd Appellant which included the 3rd Appellant. The raid was conducted pursuant to a complaint lodged with the 2nd Appellant by a copyright licensee of the computer games entitled “Warcraft 3 Battlechest”, “Diablo 2 Battlechest” and “Starcraft Battlechest”.

Some items were seized from the internet cafe during the raid for investigation into possible offence under Section 41, Copyright Act 1987 (“the Act”). However, 1 year and 8 months thereafter, the seized items were returned to the Respondents without any charges being preferred under the Act.

Consequently, the Respondents instituted a civil action in the High Court against the Appellants for loss and damages purportedly suffered by them as a result of the alleged illegal raid and seizure. The High Court found in favour of the Respondents and granted some of the reliefs claimed by them, namely special damages, exemplary damages, loss of earning and loss of reputation. The Appellants appealed to the Court of Appeal against the decision of the High Court.

Decision

The Court of Appeal allowed the appeal and set aside the decision of the High Court.

It was held, *inter alia*, that the warrant relied on for the raid was validly issued by a Magistrate under Section 44(1) of the Act. The Court of Appeal opined that :-

- (a) in order for a Magistrate to issue a search warrant under Section 44(1) he or she must be satisfied that there was information given on oath stating that there was reasonable cause for suspecting that there was in any house or premises any infringing copy, etc by means of or in relation to which an offence under Section 41 of the Act (e.g. distributing infringing copy, possessing infringing copy otherwise than for private and domestic use) has been committed;

Client Update: Malaysia

2017 DECEMBER

Intellectual Property

- (b) as the complaint lodged with the 2nd Appellant contained, among others, a statutory declaration stating that there was reasonable cause for suspecting that there were copies of documents pertaining to an offence under Section 41, the warrant was validly issued and remained valid even though the Public Prosecutor decided not to prosecute the Respondents;
- (c) the High Court in adjudicating on a civil claim should not have gone behind the search warrant and questioned its legality. As the warrant was issued pursuant to the Magistrate's criminal jurisdiction, the relevant High Court which has jurisdiction to set it aside was the High Court exercising its criminal, appellate or revision power;
- (d) the 3rd Appellant, being an Enforcement Assistant of the 2nd Appellant, and also an Assistant Controller under the Act, was protected from action being brought against him pursuant to Section 57 of the Act (unless it could be shown that there was *mala fide* or bad faith on his part); and
- (e) it was the prerogative of the Public Prosecutor whether to prefer prosecution, based on the availability of evidence pertaining to the ingredients of the offence. The evidence given in the High Court showed that there was insufficient evidence for prosecution. Thus, the non-prosecution did not affect the warrant.

The Court of Appeal also discussed the meaning of "reasonable cause" within Section 44(1) of the Act.

Conclusion

This decision reinforces the general view in the industry that it is usually futile to seek civil remedies against the authorities arising from a raid under the Act, unless it is a reasonably clear case of abuse of process by the authorities where the element of bad faith could be established.

On the other hand, it should be appreciated that the authorities should be provided with sufficient protection and immunity from civil claims so that they can perform their duties under the Act without fear or favour.

Contacts



Sri Sarguna Raj
Partner

D +60 3 2267 2737
F +60 3 2273 8310
sri.sarguna@christopherleeong.com



Ng Kim Poh
Partner

D +60 3 2267 2721
F +60 3 2273 8310
kim.poh.ng@christopherleeong.com



Steven Cheok
Partner

D +60 3 2267 2648
F +60 3 2273 8310
steven.cheok@christopherleeong.com

Our Regional Contacts

RAJAH & TANN | *Singapore*

Rajah & Tann Singapore LLP

T +65 6535 3600
F +65 6225 9630
sg.rajahtannasia.com

CHRISTOPHER & LEE ONG | *Malaysia*

Christopher & Lee Ong

T +60 3 2273 1919
F +60 3 2273 8310
www.christopherleeong.com

R&T SOK & HENG | *Cambodia*

R&T Sok & Heng Law Office

T +855 23 963 112 / 113
F +855 23 963 116
kh.rajahtannasia.com

RAJAH & TANN NK LEGAL | *Myanmar*

Rajah & Tann NK Legal Myanmar Company Limited

T +95 9 7304 0763 / +95 1 9345 343 / +95 1 9345 346
F +95 1 9345 348
mm.rajahtannasia.com

RAJAH & TANN 立杰上海
SHANGHAI REPRESENTATIVE OFFICE | *China*

**Rajah & Tann Singapore LLP
Shanghai Representative Office**

T +86 21 6120 8818
F +86 21 6120 8820
cn.rajahtannasia.com

GATMAYTAN YAP PATACSIL
GUTIERREZ & PROTACIO (C&G LAW) | *Philippines*

Gatmaytan Yap Patacsil Gutierrez & Protacio (C&G Law)

T +632 894 0377 to 79 / +632 894 4931 to 32 / +632 552 1977
F +632 552 1978
www.cagatlaw.com

ASSEGAF HAMZAH & PARTNERS | *Indonesia*

Assegaf Hamzah & Partners

Jakarta Office

T +62 21 2555 7800
F +62 21 2555 7899

Surabaya Office

T +62 31 5116 4550
F +62 31 5116 4560
www.ahp.co.id

RAJAH & TANN | *Thailand*

R&T Asia (Thailand) Limited

T +66 2 656 1991
F +66 2 656 0833
th.rajahtannasia.com

RAJAH & TANN LCT LAWYERS | *Vietnam*

Rajah & Tann LCT Lawyers

Ho Chi Minh City Office

T +84 28 3821 2382 / +84 28 3821 2673
F +84 28 3520 8206

RAJAH & TANN | *Lao PDR*

Rajah & Tann (Laos) Sole Co., Ltd.

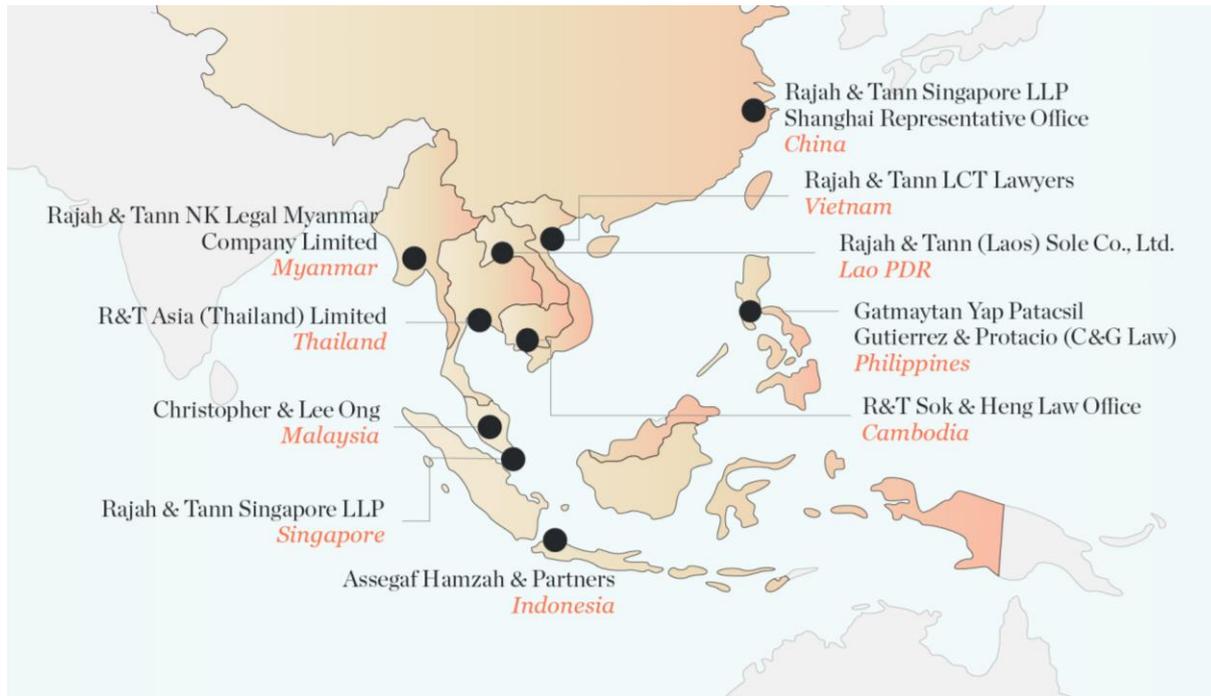
T +856 21 454 239
F +856 21 285 261
la.rajahtannasia.com

Hanoi Office

T +84 24 3267 6127
F +84 24 3267 6128
www.rajahtannlct.com

Member firms are constituted and regulated in accordance with local legal requirements and where regulations require, are independently owned and managed. Services are provided independently by each Member firm pursuant to the applicable terms of engagement between the Member firm and the client.

Our Regional Presence



Christopher & Lee Ong is a full service Malaysian law firm with offices in Kuala Lumpur. It is strategically positioned to service clients in a range of contentious and non-contentious practice areas. The partners of Christopher & Lee Ong, who are Malaysian-qualified, have accumulated considerable experience over the years in the Malaysian market. They have a profound understanding of the local business culture and the legal system and are able to provide clients with an insightful and dynamic brand of legal advice.

Christopher & Lee Ong is part of Rajah & Tann Asia, a network of local law firms in Singapore, Cambodia, China, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Thailand and Vietnam. Our Asian network also includes regional desks focused on Japan and South Asia.

The contents of this Update are owned by Christopher & Lee Ong and subject to copyright protection under the laws of Malaysia and, through international treaties, other countries. No part of this Update may be reproduced, licensed, sold, published, transmitted, modified, adapted, publicly displayed, broadcast (including storage in any medium by electronic means whether or not transiently for any purpose save as permitted herein) without the prior written permission of Christopher & Lee Ong.

Please note also that whilst the information in this Update is correct to the best of our knowledge and belief at the time of writing, it is only intended to provide a general guide to the subject matter and should not be treated as a substitute for specific professional advice for any particular course of action as such information may not suit your specific business or operational requirements. It is to your advantage to seek legal advice for your specific situation. In this regard, you may call the lawyer you normally deal with in Christopher & Lee Ong.