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ADVOCATES AND SOLICITORS

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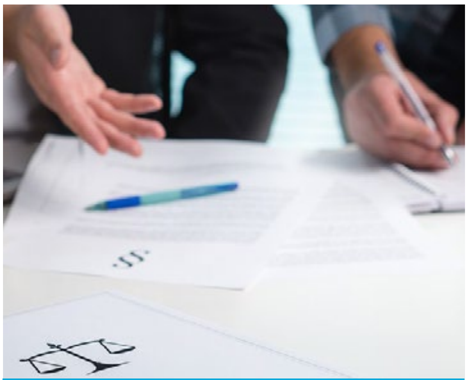
Issue No. 1

THE FIGHT OVER A FAMOUS DODOL MARK

The Federal Court's ruling on how a Trade Description Order may declare goods as imitation goods

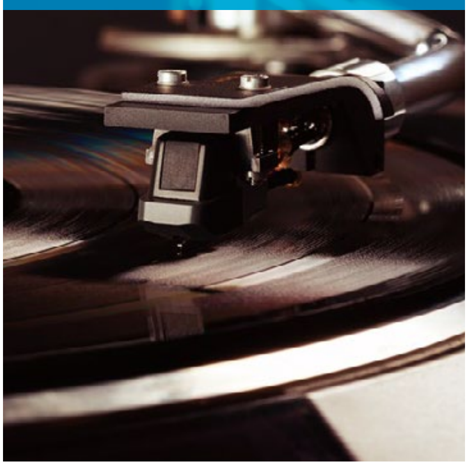


Fraud & Assignments

What happens to the assignment of a trade mark if its original registration is fraudulently acquired? (pg. 2)

What's in a Song?

How copyright law is *rocking* the music industry (pg. 4)



Blockchain: Who Owns It?

Explore the technology behind cryptocurrency and understand the IP within it (pg. 6)

The Fight Over a Famous Dodol Mark:
The Federal Court Rules that a TDO may Declare Goods as Imitation Goods

By Teo Bong Kwang

The Federal Court of Malaysia has in November 2017 explained the meaning and significance of section 9 of the Trade Descriptions Act, 2011 ("TDA 2011"). In the case of *Tan Kim Hock Product Centre Sdn Bhd & Anor v. Tan Kimhock Tong Seng Food Industry Sdn Bhd* (Federal Court Civil Appeal No. 02-6-02/2016(W) ([2017 1 LNS 1748, unreported), questions of law relating to the scope and application of section 9 of the TDA 2011 were examined.

Section 9 of the TDA 2011 empowers the High Court to declare an infringing trade mark as a *"false trade description"*. The order issued by the High Court under section 9 is called a *"Trade Descriptions Order"* or in short, a *"TDO"*. The principal issue before the Federal Court was whether a TDO could be applied for on an *ex parte* basis, i.e. by one side without informing the parties to be affected by it. The second issue is whether section 9 empowers the High Court to determine and declare goods covered by the TDO as imitation goods.

The facts of the case are fairly simple. The Respondent, Tan Kimhock Tong Seng Food Industry Sdn Bhd, obtained a TDO declaring certain coconut flavoured confectionary (namely *dodol* and biscuits) bearing the following trade mark belonging to the Respondent to be "imitation goods":

CAP POKOK KELAPA

The TDO was obtained on an *ex parte* basis.

In the appeal, lawyer for the Appellant argued that section 9 imposes criminal liability and a TDO has the effect of creating an offence. As such, it is against all norms of criminal justice for an *ex parte* TDO to be allowed. In reply, the Respondent argued that the principal objective of a TDO is to combat counterfeit activities and that there is nothing unjust about such an order being granted on an *ex parte* basis.

After hearing arguments from both sides, the Federal Court ruled that it is permissible for a TDO to be obtained on an *ex parte* basis. The apex court took into account the avowed objective of the TDA 2011 and its predecessor legislation, which is to combat the problems and menace of counterfeit goods. As such, for a meaningful and effective use of the TDO, the ability to obtain it swiftly and the element of surprise are essential ingredients. Hence, an *ex parte* application would be the most appropriate remedy. The apex court added that the obtaining of a TDO is not the end of the matter as the owner of a TDO still needs to *"move the machinery of the criminal law"* under the other provisions of the TDA 2011. Besides that, the court observed that an *ex parte* order can always be set aside.

On the second issue of whether the TDO could declare certain goods as "imitation goods", the Court's reasoning is that section 9(1) is to be read together with section 8 of the TDA 2011. The Court explained that section 9 should not be read in a vacuum but must instead be linked to the stated purpose of section 8. Essentially, section 8 provides that any person who applies, offers to supply or exposes for supply, or has in his possession, custody or control for supply any goods to which a false trade description is applied shall commit an offence. The Federal Court thus ruled that when the High Court declares a particular infringing mark to be a false trade description, it must have reference to some particular goods that bears or uses that infringing mark. In effect, the High Court is declaring the goods bearing or using such false trade description to be imitation goods. It is thus permissible to declare the relevant goods covered by the TDO to be imitation or counterfeit goods.

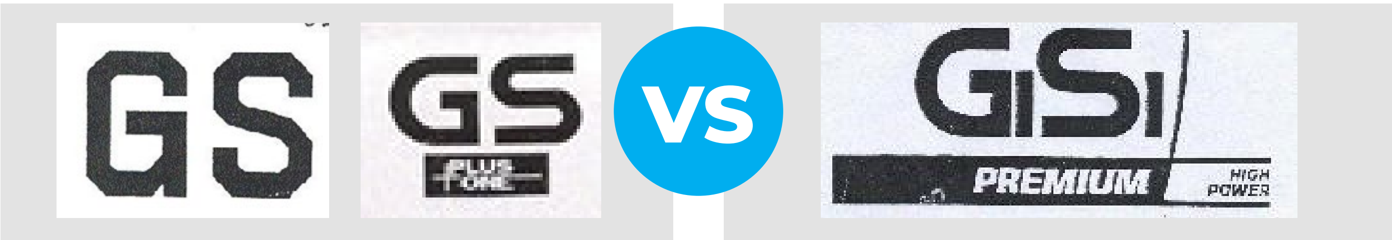
Fraud & Assignments

By Joanne Kong

In recent times, the Malaysian Courts have come to rather interesting decisions concerning trade mark assignments whereby fraud was found to be involved.

In the case of *GS Yuasa Corporation v GBI Marketing Malaysia Sdn Bhd* [2016] 1 LNS 978], GS Yuasa Corporation ("Plaintiff"), a public listed company in Japan in the battery manufacturing business, had used the trade mark "GS" in Malaysia and had registered 2 marks in relation to batteries in Class 9. The Plaintiff applied to expunge the Defendant's Mark (depicted below) which was also registered in Class 9 in relation to the same products. The Plaintiff alleged that the Defendant was part of an international conspiracy which had fraudulently applied for and obtained registration of trade marks which were confusingly similar to the Plaintiff's Marks in Malaysia and Indonesia.

Plaintiff's Marks | **Defendant's Marks**



Amongst other issues, the Court considered whether the Plaintiff could expunge the Defendant's Mark on a few grounds, including fraudulent registration of the original registration of the Defendant's Mark by Osima Batteries Ind Sdn Bhd ("OBI") which had assigned the Defendant's Mark to the Defendant pursuant to an Assignment in 2010.

Having quickly concluded that the Plaintiff was a "person aggrieved" since the Defendant's Mark was confusingly similar to the Plaintiff's Mark and that both parties were actively trading in the battery industry, the Court also found that the Plaintiff was the first user of the "GS" mark in Malaysia based on an invoice for the Plaintiff's GS Automotive Batteries which were exported to Malaysia. The Court then moved on to consider whether the original registration of the Defendant's Mark was fraudulently obtained.

In the course of allowing the Plaintiff's application and expunging the Defendant's Mark, the Court decided to pierce the corporate veil and held that OBI and the Defendant constituted the same entity due to their common registered address, business address, had the same business, shared common directors and shareholders, and even had the same company secretary.

The most interesting part of the decision is the Court's finding that the Assignment between OBI and the Defendant was a "sham" for the following reasons:-

1. if the trade marks (there was another trade mark assigned together with the mark in question) were genuine and had valuable goodwill, it wouldn't make commercial sense for OBI to assign the marks to the Defendant for a mere RM10 (approximately USD2.50);

2. there was no evidence of any negotiations between OBI and the Defendant before the Assignment was executed;

3. there was no documentary evidence to prove the Defendant's payment of RM10 to OBI as valuable consideration for the Assignment; and

4. the Assignment was executed on 1 September 2010 but the transfer of the Defendant's Mark on the Register was only effected on 4 December 2012. There was therefore an inordinate delay of more than 2 years and 3 months for the Assignment to be recorded in the Register (Note: For an assignment to be valid in Malaysia, it must be recorded).

This decision is especially of pertinence to assignments within corporate groups which are often effected with token consideration (e.g. RM10 or USD10) and with little to no documentary evidence of negotiations between the assignor and assignee. Understandably, related entities rarely maintain a paper trail of pre-assignment negotiations, particularly when such assignments are carried out for simple reasons such as a company restructuring exercise.

In the recent case of *Doretti Resources Sdn Bhd v Fitters Marketing Sdn Bhd & 4 Ors* [2017] 1 LNS 738, a trade mark assignment was likewise held by the court to be a sham due to the low amount of consideration involved (2 trade marks for RM10) as well as the absence of negotiations and proof of payment. In this case, the registration of the trade mark in question was similarly obtained by fraud.

We are of the view that the Court's findings regarding sham assignments are derived from the particular facts of both these cases and ought not to be applied generally to all assignments. For example, it must be noted that a nominal consideration will not automatically make an assignment a sham or invalid as it does not depart from established contractual principles that consideration must be sufficient, but need not be adequate.

While we await clarification on what constitutes a sham assignment through future reported cases, we believe that that such judgments regarding sham assignments will be reserved for instances involving fraud, such as in the cases mentioned herein. One should thus consider adopting the following practices in the course of purchasing a trade mark from a third party:-

Conducting due diligence to assess the historical background of the registration and validity of the trade mark. If the consideration sought for the assignment is unusually low and does not commensurate with the "value" of the mark, this should some raise flags.

To insert the actual consideration sum in the Deed of Assignment and keep proof of negotiations and payment. There may be occasions where the parties involved would prefer to adopt a nominal consideration instead of disclosing the actual consideration paid, since the assignment document is required to be filed with the authority for the assignment to be valid. For such cases, the parties may wish to execute a simple form assignment agreement making reference to the main sale agreement, without disclosing the actual purchase sum in the simple form agreement.

What's in a Song?

How Copyright Law is *Rocking* the Music Industry

By Eugene Ee

The turn of the year witnessed a number of developments in the area of copyright law, both locally and internationally, particularly in the United States ('U.S.'), being the world's largest recorded music market.[1] This article will provide an overview of two high-profile suits that were filed in the U.S. in view of the dearth of reported decision in Malaysia in this area, and also a brief update on the recently-launched Music Rights Malaysia.

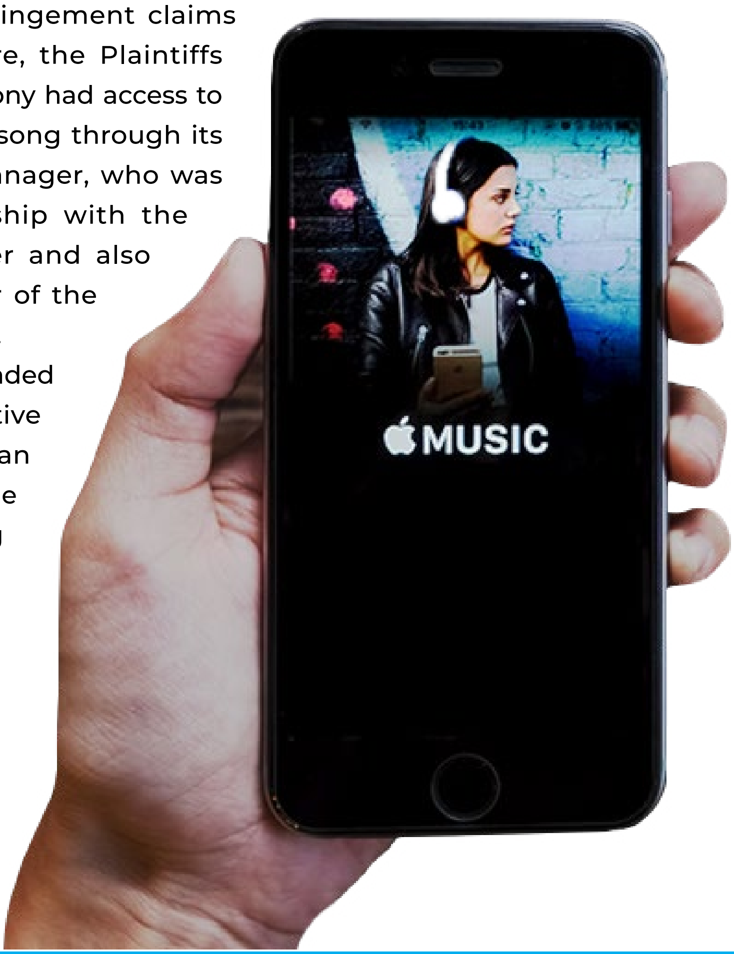
SONGS ON TRIAL

On 10 January 2018, co-writers of the Australian hit-song *"When I Found You"* ("Plaintiffs' song"), filed a suit claiming that the song *"The Rest of Our Life"* ("alleged infringing song"), co-written by Ed Sheeran and performed by Tim McGraw and Faith Hill, had blatantly copied the Plaintiffs' song. Sony Music Entertainment ("Sony"), the exclusive licensee of the alleged infringing song, was also named as a co-defendant in the suit.

Typically in such cases, the question of whether there are *"sufficient similarities"* is determined based on a comparison of the musical transcription of the competing songs. As such, the expert opinion of musicologists would often be required. In this case, it is alleged by the Plaintiffs that both songs are substantially similar in many aspects, amongst others, in their chord progression, vocal and instrumental accompaniment, and themes.

Interestingly, on the point of causal connection or proof of "copying", which is often considered as the main issue of contention in copyright infringement claims of such nature, the Plaintiffs alleged that Sony had access to the Plaintiffs' song through its marketing manager, who was in a relationship with the third co-writer and also the performer of the Plaintiffs' song. It was also pleaded in the alternative that Ed Sheeran had access to the Plaintiffs' song when he toured Australia extensively in 2016, which was when the Plaintiffs' song received mass airplay on Australian radio stations. It remains to be seen whether the U.S. District Court would consider such facts to be sufficient to prove the element of causal connection or proof of "copying".

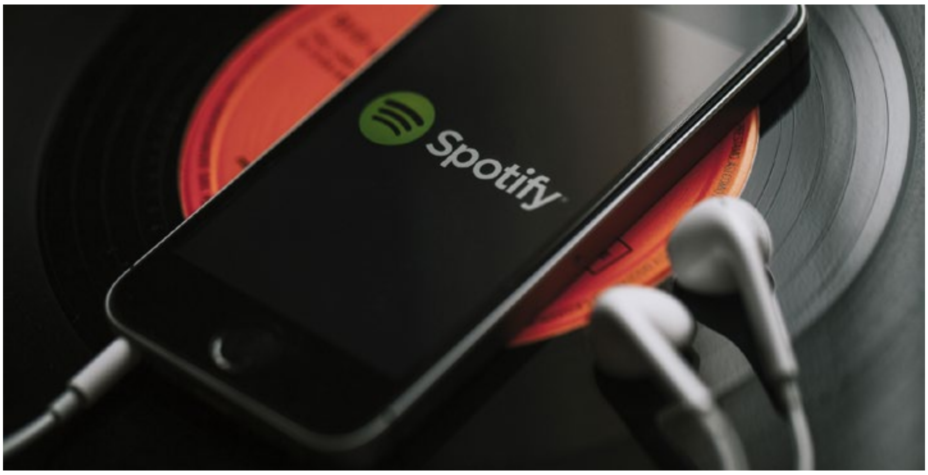
This case would be the highest profile copyright infringement suit of such nature since the disputes involving Robin Thicke & Pharrell Williams' *"Blurred Lines"* (where the defendants were found to be liable for copyright infringement) and Taylor Swift's *"Shake It Off"*.



1 International Federation of the Phonographic Industry ('IFPI') 2017 Report.

MUSIC-STREAMING GIANT SUED

Separately, Wixen Music Publishing Inc. ("Wixen") is suing Spotify for US$1.6 billion, alleging that Spotify had taken *"a short cut"* by only obtaining sound recording copyrights and not the musical compositions copyrights of Wixen's clients. The suit is currently pending in the U.S. court.



Recorded songs consist of multiple works that are separately eligible for copyright protection. This is similarly recognised under the Malaysian Copyright Act 1987 where sound recordings and the musical works (including musical accompaniment) are recognised as separate works.

Sound recordings generate revenue for the owner of the sound recording (often the artist's record label) whereas musical works are the source of income for composers (usually songwriters and their music publishers).

To resolve this issue, U.S. legislators are working on enacting the Music Modernisation Act, which aims to establish a central database that will help identify the songwriters and publishers who are in control of each composition.

Music Rights Malaysia Berhad ("MRM")

Music Rights Malaysia Berhad or MRM was recently launched on 5 February 2018 as the sole licensing body for collective music royalty collection activities in Malaysia, which were previously undertaken by 4 separate music licensing bodies namely Music Authors' Copyright Protection Berhad ("MACP"); Public Performance Malaysia Sdn Bhd ("PPM"); Recording Performers Malaysia Berhad ("RPM") and Performers Rights & Interest Society of Malaysia Berhad ("PRISM").

The establishment of MRM as the one stop centre for the issuance of copyright music licences is a much welcomed move as it simplifies the collection of music royalty and saves time for commercial music users who wish to apply for the requisite licences.

Licences that are more commonly issued by MRM are the Single Event Public Performance Licences (for one-off and continuing events) and the Annual Public Performance Licences (for music use at physical commercial premises/outlets). Commercial music users who wish to find out whether they are or would be required apply for such licences may contact us or MRM directly.

Blockchain

Who Owns It?

By Azrul Hamid and Boo Min Lee

From being a disruptor of the financial system to an alleged Ponzi scheme, cryptocurrency is certainly a financial system that has ignited a plethora of interest across the globe. Behind the glitz and glamour, it would be interesting to take a look behind the curtain and peek into the intellectual property (IP) that is imbedded in its blockchain technology.

WHAT IS BLOCKCHAIN?

Blockchain is defined as a system of database that is verified by numerous ledgers. These ledgers are encrypted and data therein is verified by numerous participants to the network. This is where the role of a miner comes in. Miners are those with powerful computers equipped with the necessary software to verify data and add ledgers to the blockchain. As a reward to the miners, they are awarded cryptocurrencies.

The advantage of blockchain lies in there being no intermediary, hence reducing cost. It is also said that data recorded is immutable. However, some may argue that blockchain is still susceptible to hackers and technical errors. The application of blockchain technology appears to be endless as not only is it used for data encryption software but possibly also smart contracts.

WHERE DOES INTELLECTUAL PROPERTY COME IN ALL THIS?

We have heard of the mad rush to file for patent protection for blockchain technology. But unlike patent laws in the other side of the world, Malaysia does not clearly provide for patent protection in relation to computer software or source codes. While the law on patents remains unclear, we do note that there has been at least one utility innovation application relating to blockchain based on a search done on the online database of the Intellectual Property Corporation of Malaysia (MyIPO) as well as a trade mark application for the mark "BITCOIN".

Traditionally, the route for software protection is by way of copyright protection. In Malaysia, as is the case for most common law countries, copyright subsists automatically. This is in contrast to patents and trade marks which require the filing of the relevant applications with the MyIPO. Some would however argue that copyright protection is insufficient since it merely protects the expression of an idea as opposed to the ideas itself. In contrast, a patent grant protects the invention itself. Since it is possible for a blockchain application to be written with different source codes and yet achieve the same outcome, copyright protection for blockchains would clearly be inadequate.

Furthermore, it can be argued that IP protection which confers monology protection is antithesis to the underlying principle for blockchain technology which is premised on communal contribution, particularly in relation to public blockchains which are based on open source software. Determining the ownership for such data may be a challenge given that the creation of a public blockchain requires great collaborative effort involving many people.

Does this mean that rights existing in the blockchain database are free for all? This would depend on the extent of skill and effort expended for the work. It would also be interesting to see if this is indeed the case or if the rights subsist in the various miners who are essentially authors of the blockchain, as they play a vital role in keeping the blockchain system running by adding ledgers to it. It appears that the answer to the question posed would depend on the facts of each case and the terms of the platform, although it would seem unlikely that such rights would subsist in the miners. Such would result in disruption within the blockchain ecosystem as each miner would then claim rights to the particular ledger that they have added.

Will there come a time when blockchain technology would be recognised as a form of open database that can be shared to all and sundry? Only time will tell.

Before we reach that stage, recognition of IP for blockchain technology remains uncertain. However, it is undeniable that blockchain technology is gaining immense popularity, especially in the financial sector. Financial institutions appear to be especially eager to tap into this technology in the form of private blockchains in order to save operational costs and time in processing transactions.

In the meantime, as an added measure of protection, entities seeking to create its own blockchain application should take steps to protect its technology (i.e. the source code or software) by handling the information and technology as confidential information. Employees or third parties commissioned to create or test the blockchain application on behalf of a company should be made to sign a non-disclosure agreement.