



## Malaysia - Introduction of Trademarks Bill 2019

The Malaysian Parliament has on 9 April 2019 tabled a brand new and revamped Trademarks Bill 2019 ('Bill') for its first reading. The proposed Bill would bring about significant changes to the existing legal regime for trade mark protection and enforcement in Malaysia, and will replace the existing Trade Marks Act 1976 ('Act'). It also seeks to put in place the necessary legislative framework for Malaysia's long awaited accession to the Madrid Protocol.

Some note-worthy highlights of the Bill include the following:

### 1. Accession to the Madrid Protocol

The Bill contains express provisions paving way for Malaysia's accession to the Madrid Protocol. In this regard, the Bill seeks to empower the Minister of Domestic Trade and Consumer Affairs to prescribe the relevant regulations that will enable Malaysia to fulfil its international obligations under the Madrid Protocol. The regulations would govern among others, matters relating to the applications for the international registration of trademarks and the protection accorded to such registrations.

### 2. New Definition of "Trademark" and Recognition of Non-Traditional Trademarks

The Bill will do away with the old definition of "trade mark" promulgated by the UK Trade Marks Act 1938 and has defined a "trademark" to mean "any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings".

With the definition of the word "sign" to include the following new items, viz., shape of goods or their packaging, colour, sound, scent, hologram, positioning and sequence of motion, the Bill expressly recognises and accordingly grants protection to non-traditional trademarks.

### 3. Absolute and Relative Grounds for Refusal of Registration

The Bill has categorised the various grounds of refusal into two broad categories, namely, the absolute and relative grounds of refusal. In doing so, the Bill has also introduced new grounds of refusal under the two heads. The notable additions to the absolute grounds include trademarks consisting of signs or indications which have become customary in the current language of the territory or in the *bona fide* and established practices of trade. Further,

a sign will be refused registration as a trademark if it consists exclusively of the shape which (i) results from the nature of the goods, (ii) is necessary to obtain a technical result, or (iii) gives substantial value to the goods.

As for the relative grounds, the Bill has expressly provided that a trademark will be refused registration if its use would amount to passing off or contravene copyright or industrial design laws.

#### **4. Trademarks as Personal or Movable Property and Securitisation of Trademarks**

With the objective of creating a viable ecosystem for trading in intellectual property, a new Part IX has been introduced to expressly recognise trade mark rights as a form of security or collateral in any financing arrangement.

Under Section 62, a registered trademark will be treated as a personal or moveable property and “*may be subject of a security interest in the same way as other personal and movable property*”. Section 64(5) expressly provides that a registered trade mark may be the subject of a charge in the same manner as other personal or movable property.

These provisions will provide an added incentive for proprietors to register their trademark, aside from the usual rights accrued.

#### **5. Strengthened Statutory Relief and Remedies for Trademark Infringement**

The Bill has codified the remedies which are ordinarily awarded to successful claimants in an infringement action. These include damages, account of profits, injunctions (including interim injunctions) and mandatory orders. Interestingly, the Bill empowers the court to not only grant damages to the claimant but also an account of the profits made by the infringer as additional damages. This strays from the current position whereby successful claimants are required to elect only one of the two heads of damages they wish to claim based on common law principles.

The courts will also be empowered to grant mandatory orders against defendants, including making an order for the erasure of the defendant’s offending sign and the delivery up or disposal of the infringing goods, material or articles.

With regard to civil actions against counterfeiters, the courts will be given the discretion to grant additional damages to the claimant depending on the flagrancy of the infringement, the benefit gained by the counterfeiter, the need to punish such counterfeiters, and other relevant considerations.

Trademark owners wanting to enforce their rights may be wary to know that the Bill will also provide relief to any person who is subjected to groundless

threats of infringement proceedings. Such a claimant may claim for a declaration that the threats are unjustified, an injunction to prevent the threat from continuing, and damages for any loss suffered.

## 6. Enhanced Criminal Enforcement of Trademark Rights

Criminal charges in respect of the false application of trademarks to goods and services are currently governed by the Trade Descriptions Act 2011 ('TDA'). The new regime intends to include and consolidate all the relevant provisions for criminal sanction against counterfeiting activities involving registered trademarks within the ambit of the Bill by transferring the provisions relating to enforcement of a registered trademark found in the TDA to the Bill. At the same time, a new Part XV entitled "Offence" which consists of extensive provisions relating to offences in counterfeiting a trademark and falsely applying a registered trademark to goods or services is introduced in the Bill.

The Bill will also for the first time, criminalise acts of counterfeiting and false applications of a registered trademark to goods or services. It also criminalises acts of making an article specifically designed or adapted for making copies of a registered trademark or a sign likely to be mistaken for that trademark. Any person who imports, sells or expose for sale or has in his possession, custody or control for the purpose of trade or manufacture any goods to which a registered trademark is falsely applied is guilty of an offence as well. Hefty penalties for the offences under Part XV are prescribed.

Following the above proposed changes, the Bill has adopted in Part XVI entitled "Investigation and Enforcement", a substantial part of the provisions in the TDA relating to the powers of the enforcement authority. Similar to the powers under the TDA, enforcement officers would be armed with the powers to investigate, arrest suspects, search and seize goods which are suspected to be subject matter of an offence under the Bill.

## 7. Attempts to Modernise and Streamline Procedures for Trademark Registration

In an attempt to increase efficiency, the Bill introduces a number of new measures to move towards a more paperless and electronic based system, such as the issuance of documents via electronic means.

The Bill also introduces a new Section 9 which provides that in determining whether the use of a trademark is likely to cause confusion, the Registrar may take into *account all factors relevant in the circumstances* including whether the use is likely to be "associated" with a registered trademark or earlier trademark. It is believed that the original intention of Section 9 is to codify some guidelines for determining the issue of confusion between two trademarks. However, the current wordings may be too brief and general, and may impose upon the Registrar an additional requirement of expanding

the scope of such inquiry to include the issue of “confusion by association”. Only time would reveal whether this would provide much assistance to the Registrar in assessing confusing similarity.

### **Conclusion**

The Bill contains substantial changes to the existing law and practice relating to trade marks in Malaysia. It is a development to be welcomed as it will raise Malaysia’s current laws to be in line with international standards.

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