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July 2008

KKDN:PQ/PP/1505(13829)

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A Bright Malaysian Outlook For Islamic Bonds

There is still a common misconception that Islamic bonds can only be issued by Islamic companies or subscribed by Islamic investors.

Far from it, Islamic bonds are nowadays issued by issuers as diverse as the Saxony-Anhalt State in Germany (they issued a €100.0 million Islamic bond in 2006) and are subscribed even by conventional banks.

Islamic bonds commonly known as *Sukuks* must comply with the rules and principles of Islamic law (*shari'ah*) which prohibits the charging of interests.

In this current environment of global credit crunch, the Islamic finance market is an oasis of sorts. Fuelled by rising oil prices (a large amount of Islamic funds originate from the Middle East), there is ample liquidity in the Islamic finance market. So much so that even non-traditional jurisdictions such as Singapore and recently Hong Kong have jumped onto the bandwagon and declared their intention to be Islamic financial centres.

But Malaysia has always been the market leader in Islamic finance. It has an enviable 30 year track record in Islamic finance with the full complementary tax and regulatory regime firmly in place. Malaysia is the world's leading issuer of Sukuks and has the world's largest Islamic bond market, estimated in 2007 at US$60.0 billion. To cement its market leader position, the Malaysian Islamic Financial Centre (MIFC), a joint initiative by the Central Bank and the Securities Commission, was launched in 2006 to develop and internationalise the Malaysian Islamic capital markets.

The Malaysian bond market is an international market. Issuers of Islamic bonds in Malaysia are not restricted to only Malaysian companies. Eligible foreign issuers such as sovereigns, quasi-sovereigns, multilateral development banks, multilateral financial institutions and multinational corporations can also issue bonds in Malaysia.

Issuers are also given the flexibility to issue their bonds either in Ringgit/RM (the official currency of Malaysia) or in foreign currency. Interestingly, with the recent slide in the US dollar, foreign issuers have opted to issue their bonds in RM and did not mind incurring foreign exchange costs when converting it into their required foreign currency. For example, in 2008, three foreign issuers issued their bonds in RM. The State Bank of India and the Export-Import Bank of Korea issued RM500.0 million and RM1.0 billion bonds, respectively. Whereas the Industrial Bank of Korea upsized its original RM600.0 million bonds to RM1.0 billion (approximately US$320.0 million).

The Islamic finance market is a highly lucrative market estimated at US$360 billion globally and growing at 15% annually. While it still lags behind conventional debt markets in terms of size, we are seeing increased interests among foreign issuers to explore issuing Islamic bonds in Malaysia. The Asian economies are still growing and require much needed funds to sustain their growth. But in this current environment of global credit crunch, sources of funds are harder to come by and this has resulted in companies being prepared to seek alternative cost-effective fund raising avenues such as Islamic finance.

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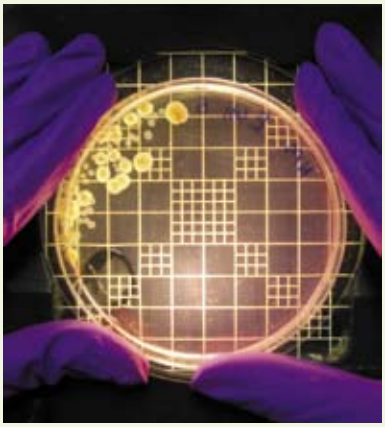
Funding For IP Commercialisation

The Malaysian government has been advocating the commercialisation of research and realising of value in intellectual property (IP) rights in recent years. The aim is to convert IP rights to an emerging currency in the global, knowledge-based economy.

During the 7th Malaysian Plan launched in May 1996, the Malaysian Government had unveiled various incentive schemes including special-purpose grant schemes with the objective of providing financial assistance to entrepreneurs and companies involved in developing certain technologies in Malaysia. The incentive schemes are administered by the Ministry of International Trade and Industry (MITI) through its many agencies to facilitate the implementation process.

The schemes administered by various **fund agencies** are set out briefly in this article.

MALAYSIAN TECHNOLOGY DEVELOPMENT CORPORATION (MTDC)



The MTDC is one of the many agencies entrusted to manage a number of these special-purpose grants. It was only natural that the MTDC be entasked with the role of facilitating these special-purpose grants as it was set up by the Government back in 1992 to spearhead the development of technology businesses in Malaysia. The MTDC assumes the role of promoting and commercialising local research and investing in ventures that could bring in new technologies from abroad.

Following MTDC's success as a venture capital outfit, the Government in 2004 had entrusted MTDC to provide venture capital funding to local biotechnology companies. The venture capital funding is designed to assist entrepreneurs and companies to venture into new businesses and invest in high growth technologies. These include investing in seed, start-up, emerging and late-stage companies.

MTDC began to pave its way as the premier integrated venture capital company by being involved in an array of activities such as the *management* of the Government's **Commercialisation of Research & Development Fund** (CRDF) and **Technology Acquisition Fund** (TAF).

CRDF

The ***CRDF*** provides for partial grants to be given out to qualified Research and Development (R&D) projects up to a maximum of 50% to 70% or RM2 million, whichever is lower, for the scope of activities carried out. The scope of the activities encompasses four phases.

Phase I Market Survey and Research

At Phase I, this activity is to assist in evaluating the market potential of the proposed product/process for commercialisation. In terms of funding, the partial grant would be given up to a maximum of 50% or RM50,000, whichever is lower. Eligible expenses include the cost of engaging an independent market survey company to conduct the market survey and research and the drafting of commercialisation strategy and the cost to conduct patent search. The duration of the activity is not expected to exceed four months.

Phase II Product/ Process Design and Development

At Phase II, this activity is to facilitate the design and physical development of prototypes into products or processes. In terms of funding, a partial grant of up to a maximum of 50% or RM1,700,000 would be given, whichever is lower. This includes the purchase of core equipment which is vital to the proposed project for an amount not exceeding 40% of the approved amount for Phase II. Eligible expenses include acquisition of technology of a completed R&D from local universities and research institutions; design and packaging for commercial application; development of prototypes and pilot plant or trial production runs. The duration of the activity is not expected to exceed 12 months.

Phase III Standard and Regulatory Compliance and Intellectual Property Protection

At Phase III, this activity is to enable products or processes to be successfully commercialised, by testing their compliance with standards and regulations and intellectual property protection. In terms of funding, a partial grant of up to a maximum of 70% or RM200,000 would be given, whichever is lower. Eligible expenses include cost of testing for compliance with market standards and regulations and initial cost in applying for intellectual property protection in Malaysia and in three major countries. The duration of the activity is not expected to exceed four months.

Phase IV Demonstration of Technology

At Phase IV, this activity is to provide exposure for indigenous technology to potential market and to expedite technology roll-out

by drawing interest from potential investors. In terms of funding, a partial grant of up to a maximum of 50% or RM50,000 would be given, whichever is lower. Eligible expenses include field testing, technology preview, product launches and exhibitions, whereby participation is made in relevant international level exhibitions.

MTDC is tasked with ensuring that the proposed activities must be with regards to the commercialisation of tangible and manufacturable products and that the proposed project must involve a technical collaboration with local universities or research institutes. As for joint-venture company with local universities, approved R&D companies and companies with associate R&D company, they are exempted from such collaboration requirements.

TAF

The *TAF* provides for partial grants to further promote efforts by the private sector to enhance their technology level and production processes. The grants are segregated into the *acquisition of technology* modules and the *training programme* modules.

Acquiring technology through *licensing* is a means of enhancing the design and production of new and existing products and processes. In terms of funding, a partial grant of up to a maximum of 70% or RM2 million would be given, whichever is lower. Eligible expenses include procurement of technologies through licensing by companies that are involved in activities promoted under *TAF*, strategic industries as approved by the Government. The technology to be acquired should include design, blueprints, manufacturing know-how, training, technical support and proprietary equipment. The cost of the equipment must not be more than 30% of the licensing cost.

Acquiring technology through the *acquisition of patent rights, prototypes and design* is another means of acquiring proprietary information to facilitate the transfer of technology to enable the development of new processes and products. In terms of funding, a partial grant of up to a maximum of 70% or RM2 million would be given, whichever is lower. Eligible expenses include procurement of patents or manufacturing rights and registered design and procurement of prototypes and its related technology transfer to facilitate the physical development of new products.

The training programme includes placing Malaysians in technology companies or technology institutes and the expert sourcing programme. In terms of funding, a partial grant of up to a maximum of 50% of the total cost or RM30,000, whichever is lower, would be given for each person, with a maximum of three persons per project. The duration of this activity is not expected to exceed three months. Eligible expenses include cost of airfare, accommodation and daily allowance, job attachment or "on the job training". Funding is not provided for training in affiliated or subsidiary companies overseas and professional fees.

As for the expert sourcing programme, the activity is to assist companies to engage technical experts and consultants in upgrading their products and processes. In terms of funding, the partial grant is up to a maximum of 50% of the total cost or RM30,000, whichever is lower. Eligible expenses include costs of airfare, accommodation and professional fees.

MINISTRY OF SCIENCE, TECHNOLOGY AND INNOVATION (MOSTI)

MOSTI is also one of the agencies entasked with managing the allotment of special purpose funds, namely the InnoFund, TechnoFund and ScienceFund.

ENTERPRISE INNOVATION FUND (INNOFUND)

InnoFund was created with the aim of increasing the participation of micro businesses, small businesses and individuals or sole proprietors, in innovative activities. InnoFund also aims to develop new or improve existing products, process or services with elements of innovation for product, process and service improvement; to encourage technological innovation for product process and service improvement and most importantly, advance innovative activities for the intellectual properties generation.

To be eligible for Innofund, the project has to be within the *pre-commercialisation* stage. The applicant has to be a Malaysian individual, sole-proprietor, micro or small enterprise who is qualified to undertake the project which is to be located in Malaysia.

Project proposals eligible for consideration must fall under any of the technology clusters listed below:

i) Information and Communication Technology (ICT)
ii) Biotechnology
iii) Industry

The proposal for the project must contain elements of technological innovation, which may be either a re-combination, fusion or integration of technologies that lead to new product, processes or services or the replication or refinement of existing technologies with improved value enhanced efficiency or cost reduction which would lead to the commercialisation of innovative products, processes and services. Any projects or products which are in the R&D stage or are ready for production or commercialisation are not eligible for the fund.

All submissions can be submitted to the Development and Procurement division of MOSTI.

TECHNOFUND

Similar to the InnoFund, TechnoFund aims to stimulate growth and successful innovation of Malaysian technology-based enterprises by increasing their level of R&D and commercialisation.

There are basically two types of funding under TechnoFund.

Type A funding which is the pre-commercialisation activities comprises development (up-scaling) of commercial ready prototypes/pilot plants/clinical trials/field trials for demonstration and testing purpose but not for commercial exploitation.

Type B funding on the other hand which is essentially the Intellectual Property (IP) Acquisition (Laboratory Scale) comprises the acquisition of IP (academic/laboratory scale prototype) from overseas or local sources for further development up to pre-commercialisation stage.

To obtain approval for the funding, project proposals must be technically viable for up-scaling to pre-commercialisation stage and produce outputs with commercial potential within the stated technology clusters, show evidence that the project outcome has direct economic benefit to Malaysia and enhances Malaysia's competitiveness and that the project costs are reasonable and justifiable taking into consideration activities at the pre-commercialisation stage.

More interestingly, under the Type B funding, any applicant for the fund has to show additionally that their prospective IP is an *outright purchase* (IP licensing is not allowed) that requires further development. The end product developed under this funding is encouraged to be patented and registered for IP Rights.

Successful registration is to be informed to the TechnoFund Secretariat. The IP rights may belong to the government or the applicant(s) or joint-ownership by both parties, of which the details will be specified in the TechnoFund Agreement.

TechnoFund targets applicants from the Malaysian Institute of Higher Learnings (IHLs), Government Research Institutes (GRIs) and all companies including Public Listed Companies and Government Link Companies. Project proposals must fall under certain technology clusters to qualify for the funding. The six technology clusters are as follows:

a) Agriculture
b) Biotechnology
c) Information and Communication Technology (ICT)
d) Industry
e) Sea to Space; and
f) Science & Technology services

Similar to the Innofund, all submissions can be submitted to the Development and Procurement division of MOSTI.

SCIENCEFUND

The ScienceFund supports R&D projects which can generate new knowledge in strategic basic and applied science and develop new products or processes necessary for further development and commercialisation in specific research clusters (RC) similar to the InnoFund and TechnoFund clusters. ScienceFund essentially supports experimental or theoretical work undertaken primarily to acquire new knowledge directed at specified broad areas that are expected to lead to useful discoveries and applied research.

This funding aims to generate more research capabilities and expertise within the country. Outcome of research for projects under this funding which has commercial potential can be considered for additional funding under the TechnoFund.

A Research Agreement (RA) of approved projects will be signed between MOSTI and the head or CEO of institutions seeking the funding.

MALAYSIAN BIOTECHNOLOGY CORPORATION (MBC)

With the government's focus on biotechnology, MBC is one of the key agencies tasked with managing venture capital funding for various objectives, namely, providing funding for priority biotechnology areas and to bridge gaps between existing public and private sector funding; to complement existing public and private sector funds; to attract and provide incentives to researchers and companies to develop the biotechnology industry; and to provide funding and capital for bio-entrepreneurs to commercialise viable biotechnology products and services.

The Biotechnology Focus Areas (BFAs) are *agricultural* biotechnology, *healthcare* biotechnology and *industry* biotechnology.

The commercialisation grants are namely the Seed Fund, the R&D Matching Fund and the International Business Development Matching Fund. These funds are designed to assist entrepreneurs, companies' new businesses and for investing in high growth technologies.

However, to qualify for these grants, the applicant needs to be a *BioNexus Status* company. This *BioNexus Status* is a designation awarded to qualifying biotechnology companies, making them eligible for privileges contained within the BioNexus Bill of Guarantees.

To be a *BioNexus Status* company, the applicant needs to be a provider of a product or services based on life sciences, or substantially utilise biotechnology processes, possess research capabilities in the BFAs and comply to applicable and related laws, regulations, guidelines, etc.

SEED FUND

The objective of the Seed Fund is to fund start-up costs in setting up biotechnology companies towards the development and commercialisation of biotechnology projects and R&D findings of priority and core areas, in particular projects and findings that are central to achieving the objectives of the National Biotechnology Policy. The funding covers expenditure relating to the setting up of a biotechnology company and includes recruitment of interim professional management, Malaysian compliance and regulatory costs, IP filing and registration and market feasibility studies.

R&D MATCHING FUND

The objective of this fund is to provide matching fund for R&D projects which can develop new or improved products, processes and/or technologies and lead to further development and commercialisation within Malaysia's Biotechnology focus areas. The funding shall cover expenditure incurred on a particular research project for the purposes of promoting it. This includes the provision of plants, machinery, equipment and materials and the payment of fees or other remuneration to technical advisers consulted in connection with the project.

INTERNATIONAL BUSINESS DEVELOPMENT MATCHING FUND

The objective of this fund is to promote the expansion of *BioNexus Status* companies into the global market. The funding covers expenditure in relation to a particular business development within Malaysia's BFAs. This includes country pre-clinical and clinical trial expenditures, product registration costs and IP protection in other jurisdictions.

All applications for the above-mentioned funds are to be made to the Evaluation & Funding - Client Support Services Division of the MBC.

CONCLUSION

For applicant companies to qualify for the funds provided by the abovementioned agencies, the general requirement is to have 51% local shareholding.

Under the 9th Malaysian Plan, MBC as one of the key agencies tasked with the management of funds for special biotechnology areas reportedly received RM300 million out of the RM2 billion set aside for private sector funding to promote biotechnology from the period of 2006-2010.

To date, as much as RM120 million in funds from the RM300 million allocation by the Government has reportedly[1] been utilised for biotechnology in agriculture, healthcare, industrial and bio-informatics sectors. The CEO of MBC, Datuk Iskandar Mizal Mahmood was quoted as saying that RM100 million each was allocated for commercial grant and technology acquisition whilst RM50 million each was for entrepreneur development and regulatory or Intellectual Property framework.

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(Footnotes)
1 The Star, 27 May 2008

Are Insurers Liable To Settle Property Damage Claims Of Third Parties Under Section 96(1) Of Road Transport Act, 1987 (RTA, 1987)?

1. The duty and obligation of insurers to satisfy judgments obtained against their insured persons by the third parties has been outlined clearly under Section 96 (1) of Road Transport Act 1987 (RTA).

2. The abovementioned section provides as follows:....*"If, after a certificate of insurance has been delivered under subsection (4) of section 91 to the person by whom a policy has been effected, judgment in respect of any such liability as is required to be covered by a policy under paragraph (b) of subsection 1 of section 91, is given against any person insured by the policy, then notwithstanding that the insurer may be entitled to avoid or cancel, or may have avoided or cancelled the policy, the insurer shall, subject to this section, pay to the persons entitled to the benefit of the judgment any sum payable thereunder in respect of the liability, including any amount payable in respect of costs and any sum payable in respect of interest on that sum by virtue of any written law relating to interests on judgment."*

3. The prerequisites of the abovementioned section can be clearly laid out as follows:-

   a. *a certificate of insurance has been delivered by the insurer to the other contracting party as per the requirements of Section 91(4) of RTA, 1987;*

   b. *judgment against the insured person of the policy has been obtained;*

   c. *the suing party must be a person entitled to the benefit of the judgment in respect of the liability; and*

   d. *the suing party is also entitled to costs and interest, if covered by the judgment by virtue of any written law.*

4. Section 91 of the RTA, 1987 especially Section 91(1)(a) and (b) provides *inter alia* as follows:

   a. a policy of insurance must be a policy which is issued by a person who is an authorised insurer within the meaning of this Part; and

   b. a policy of insurance must be a policy which insures such person or class of persons as specified in the policy in respect of any liability which may be incurred by him or them in respect of the death of or bodily injury to any person caused by or arising out of the use of the motor vehicle ....

5. It is settled law that insurers are bound to satisfy judgments obtained by third parties against their insured persons in respect of the death of or bodily injury to third parties caused by or arising out of the use of motor vehicles insured by them notwithstanding that the insurers may be entitled to avoid or cancel, or may have avoided or cancelled the policy due breach of the policy conditions by their insured persons. However, are insurers similarly bound to satisfy judgments obtained by third parties against their insured persons in respect of property damage caused to such third parties?

6. In the case of **QBE Insurance Ltd vs Dr K Thuraisingam [1982] 2 MLJ 62,** where the Plaintiff initiated a recovery action against the insurer directly in respect of property damage suffered by him caused by the insurer's insured person, the learned Judicial Commissioner held, that the outcome of the appeal would depend on the interpretation of Section 75(1)(b) and Section 80(1) of the Road Traffic Ordinance 1958 (the forerunner of the current Section 91(1) and 96(1) of RTA, 1987).

7. The Court in the above case held that the interpretation of Section 75 (1)(b) makes it a statutory compulsion or requirement that a policy of insurance must be one which covers any liability which the insured may have incurred in respect of the death of or bodily injury to any third party whilst Section 80(1) confers the statutory right to a third party who has a judgment in respect of liability that must be covered compulsorily. In a nutshell, the Court held that the right of recovery by a third party against an insurer directly only extends to judgments in respect of death of or bodily injury and judgments in respect of property damage are therefore excluded. Since there is no statutory right conferred on a third party to initiate a recovery action against an insurer directly for property damage, the only remedy available to the third party under the common law would be to sue the insured person directly for tort or breach of duty of care (if any) and thereafter to enforce such judgment against the insured person.

8. Nevertheless, in a similar later case involving a claim made by a third party directly against an insurer for recovery of property damage claim, namely **The People's Insurance Co. (M) Sdn Bhd vs Syarikat Kenderaan Melayu Kelantan Bhd (No.2) [2001] 1 CLJ 510** the learned Judge differed altogether from the ruling in the earlier case of **QBE Insurance Ltd vs Dr K Thuraisingam**.

9. The learned Judge in the case of **The People's Insurance Co. (M) Sdn Bhd vs Syarikat Kenderaan Melayu Kelantan Bhd (No.2)** referred to the Section 96(1) of the RTA and interpreted the words "pay to the persons entitled to the benefit of the judgment any sum payable thereunder in respect of the liability" as being the judgment sum.

10. His Lordship's reasoning is as follows:-

    ...*"the status of the contract of whether it is comprehensive or third party, becomes irrelevant, as after judgment has been obtained that exhausted document becomes obsolete and relegated to the rear seat. To appreciate this remark, a scrutiny of the pivotal s. 96(1) is a must. By the use of the word "the insurer shall," statute has*

imposed a mandatory duty upon the insurers concerned to pay to the person entitled to the benefits of the judgment any sum payable thereon. Surely, if a restriction was envisaged by the Legislature, why then are the factors of costs and interest, more akin to specific damages and which certainly do not fall within the ambit of "in respect of the death of or bodily injury to any person" s. 96(1) be made payable? If ever there are to be any, then the source will have to be the contract of insurance itself. The Court will have to make a finding of fact and decide whether the scope of the latter is wide enough to include a third party, with the outcome being reflected in the scope of judgment."

"If nothing is indicated in the judgment to warrant a denial or erosion of a third party's claim, then nothing should be imported into it and total payment must be made. To do otherwise will render the Order meted by the court an illusory judgment, with that arbitrary act not only flying against the terms of the judgment but also the law. With a decisive provision backing the payment of any sum recorded in the judgment, any non-adherence of that judgment, founded on some misconceived interpretation must be frowned upon by the judicial system."

11. The learned Judge in the case of **The People's Insurance Co. (M) Sdn Bhd vs Syarikat Kenderaan Melayu Kelantan Bhd (No.2)** had referred to the case of **QBE Insurance Ltd vs Dr K Thuraisingam** and held that the ruling in the said case has thenceforth become inapplicable in respect of matters falling under the impugn provision of Section 96(1) of the RTA, 1987. His Lordship has allowed the third party to recover the judgment sum against the insurer in respect of property damage only.

12. It is pertinent to note that both the decisions in **The People's Insurance Co. (M) Sdn Bhd vs Syarikat Kenderaan Melayu Kelantan Bhd (No.2)** and **QBE Insurance Ltd vs Dr K Thuraisingam** are High Court decisions and therefore do not bind one another. Since, there is no decision on this issue from any superior Court above the High Court, the legal position is still uncertain.

13. Thus, unless and until Parliament amends the impugn provisions in the RTA or a Superior Court makes its ruling with regards the interpretation of the said provisions once and for all, then this issue will remain uncertain.

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Are Malaysian Courts Ready To Depart From The Territorial Concept Of Trade Marks?

"Trade mark law is very territorial in many aspects. So it will be useful to keep in the forefront of our minds that however distasteful it may be for a trader in one country to appropriate the mark of a foreign trader who is using that mark in a foreign country, there is nothing unlawful under the Trade Marks Act 1976 for a Malaysian trader to become the registered proprietor of a foreign mark used for similar foreign goods provided that the foreign mark has not been used at all in Malaysia."

The above was the very statement made by Mahadev Shankar, JCA in the case of ***Lim Yew Sing v Hummel International Sports & Leisure***[1] which affirms and almost cast in stone the principle that trade mark rights are territorial in nature and there is nothing unlawful for a local trader to knowingly appropriate and use a foreign trade mark in Malaysia so long as the proprietor of the said foreign trade mark has yet to use it in Malaysia.

Many, especially foreign trade mark owners have hoped that with the introduction of well-known marks in the *Trade Marks Act* and also in light of Malaysia's obligations under the TRIPS agreement, the impact of the decision in the *Hummel* case would somewhat be circumscribed and the Malaysian courts would adopt a more open approach in dealing with trade mark disputes involving use of foreign well-known marks by local traders in Malaysia.

In the recent decisions rendered by the Court of Appeal in ***Meidi (M) Sdn Bhd v Meidi-ya Co Ltd***[2] and ***McLaren International Ltd v Lim Yat Meen***[3], there appears to be no derogation from the territoriality of trade mark laws.

Meidi (M) Sdn Bhd v Meidi-ya Co Ltd

Facts of the Case

The 1st Plaintiff in this case is a company established in Japan since 1885 and is involved in a variety of business including the manufacturing and sale of a variety of food including biscuits, cakes and pastries and other food products and liquor. The 2nd Plaintiff was incorporated in Malaysia on 23 November 1987 and is a subsidiary of the 1st Plaintiff. The 1st Defendant on the other hand, is a company doing business in Kuala Lumpur and is engaged in, *inter alia*, the manufacture, sale and distribution of bread, cakes and other confectionaries since late 1986.

In 8 December 1986, application was sought by the 1st Defendant to register the following mark in relation to goods in Class 30 under Application No. 86/05265:

Applications had also been sought by the 2nd Plaintiff sometime in November and December 1987 to register the following marks in relation to goods in several classes:

MEIDI-YA 明治屋

Further, the 2nd Plaintiff had also applied to register the following in relation to goods in Class 30:

MEIDI-YA FRESH BAKERY

As it was obvious to him that there were competing applications, the Registrar directed that parties determine their rights in the "Meidi-ya" mark before a Court of Law.

Finding and Decision of the Trial Judge

At the conclusion of the hearing, the trial judge found that:

i) the 1st Plaintiff had been a long user of the Meidi-ya trade mark and trade name together with the distinctive logo in the form of the Kanji characters in Japan as well as in other parts of the world; and

ii) the 1st Defendant decided to open up its bakery and confectionery business in Malaysia and for this purpose it formed Meidi (M) Sdn. Bhd.

Based on his findings, the trial judge had ordered amongst others the following:

i) That the 1st Defendant's "Meidi-ya FRESH BAKERY & stalks of wheat being blown in the wind device" shall not be registered as the use of it is likely to deceive or cause confusion to the public;

ii) That the Plaintiffs, through the 2nd Plaintiff, are the lawful claimants entitled to register the trade marks "MEIDI-YA" in romanised letters and in kanji characters and the said marks belong to the Plaintiffs;

iii) 2nd Plaintiff's application for the "MEIDI-YA FRESH BAKERY" mark shall not be registered as the use of it is likely to deceive or cause confusion to the public;

iv) That the trade mark "Meidi FRESH BAKERY" or at the election of the 1st Defendant, "Meidi (M) FRESH BAKERY together with the stalks of wheat being blown in the wind device" belong to the 1st Defendant and the 1st Defendant is the lawful claimant entitled to file for registration of the said trade name, trade mark and wheat device; and

v) That the Registrar shall allow the registration of mark no. 86/05265 subject to amendments made to remove "- ya" after the word "Meidi" and there being no formal opposition filed by third party against registration of mark no. 86/05265.

Before the Court of Appeal

Dissatisfied with the orders made by the trial judge, an appeal by the 1st Defendant and a cross appeal by the 1st and 2nd Plaintiffs were filed. The following were some of the issues considered by the Court of Appeal:

i) Whether the 1st Defendant could rightfully claim ownership to the mark "Meidi-ya" together with the accompanying words "FRESH BAKERY" and the device of stalks of wheat being blown in the wind as per the 1st Defendant's application No. 86/05265

ii) Whether use by the 1st Defendant of the "Meidi-ya FRESH BAKERY & stalks of wheat being blown in the wind device" would constitute passing off of the Plaintiffs' business

With respect the first issue, the Court of Appeal, in adopting the territorial principle propounded in the *Hummel* decision, found that the 1st Defendant could rightfully claim ownership to the mark "Meidi-ya" together with the accompanying words "FRESH BAKERY" and the device of stalks of wheat being blown in the wind. This is because the Court found that the 1st Defendant was the first in time to use the mark in Malaysia as early as 1986 when the 2nd Plaintiff was not even incorporated.

The Court of Appeal found that the 1st Defendant was the first in time to use the mark "Meidi-ya" together with the accompanying words "FRESH BAKERY" and the device of stalks of wheat being blown in the wind despite:

i) the Plaintiffs adducing evidence showing the availability of a small number of customers of the Plaintiffs' goods bearing the "MEIDI-YA" trade mark in Malaysia since 1982 (which evidence the Court of Appeal presumed was not accepted by the court of first instance as it failed to make any specific finding); and

ii) the 1st Defendant did not challenge the Plaintiff's evidential assertion that the Plaintiffs' "MEIDI-YA" trade mark was already in use in Malaysia 1982.

With the above finding, the Court of Appeal went on to dispose the second issue raised. Since it was found that the Plaintiffs had failed to show first use of the "Meidi-ya" mark in Malaysia, it would not be possible for the Plaintiffs to claim any goodwill and reputation at the material time to succeed in an action for passing-off against the 1st Defendant.

At the end of the appeal hearing, the Court of Appeal ordered amongst others that the "Meidi-ya FRESH BAKERY & stalks of wheat being blown in the wind device" mark under application no. 86/05265 belong to the 1st Defendant and the 1st Defendant is the lawful claimant entitled to register the said mark. The cross appeal by the Plaintiffs on grounds that use by the 1st Defendant of the "Meidi-ya FRESH BAKERY & stalks of wheat being blown in the wind device" would constitute passing off of the Plaintiffs' business was dismissed.

Further, the 2nd Plaintiff's various applications to register the "Meidi-ya" mark were allowed subject to the word "MEIDI-YA" to be used in bold capital letters. The case is under appeal to the Federal Court.

McLaren International Ltd v Lim Yat Meen

Facts of the Case

Application was sought by McLaren International Ltd ("as the Applicant"), the owner of the "McLaren" trade mark to remove or expunge the Respondent's registration of the mark "MCLAREN". The Respondent is a Malaysian individual and the mark "MCLAREN" was registered in relation to "articles of clothing including boots, shoes and slippers" in Class 25.

The main basis of the Applicant's claim was that the Respondent's "MCLAREN" mark is identical with the Applicant's "McLaren" mark and the Respondent is not the lawful proprietor of the "MCLAREN" trade mark. The application was dismissed by the High Court and the Applicant appealed to the Court of Appeal.

The Appellant's Claim

It was the Appellant's claim that the mark "McLaren" is known to be closely associated with the Formula 1 race of which the McLaren team is well-known worldwide, including Malaysia. The McLaren team had been participating in the Formula 1 race for 37 years and there were many supporters of the McLaren team in Malaysia. The Appellant also claimed that the "McLaren" mark was known to the Malaysian public long before the Sepang F1 circuit was established by virtue of the various sports programmes and telecast of the races on Malaysian television.

By virtue of the Appellant's reputation and goodwill subsisting in the "McLaren" mark, and use thereof in Malaysia, the Respondent's continued registration of the "MCLAREN" mark would seriously jeopardize the Appellant's rights and interests in the exploitation of its "McLaren" mark.

Respondent's Defence

The Respondent claimed that the mark "MCLAREN" was created and coined independently by him. When coining the "MCLAREN" mark, he was not aware of the Appellant or its purported ownership of the "McLaren" mark. When application was filed to register the "MCLAREN" mark in the year 1992, the word "McLaren" was virtually unheard of to the general Malaysian public even in connection with F1 racing, with no broadcast of F1 races in Malaysia on or prior to 1993. Hence, the word "McLaren" was not associated in the minds of the Malaysian public with any product.

Before the Court of Appeal

Following the position adopted in the *Hummel* case, the Court of Appeal dismissed the Appellant's appeal *inter alia* on grounds that the Appellant was not the first to use the "McLaren" mark in Malaysia and that there was no use of the said mark in Malaysia prior to the Respondent's registration of the "MCLAREN" mark in 1992.

The Court of Appeal went on to state that even if the Respondent had appropriated the Appellant's mark knowingly when filing the application to register the "MCLAREN" mark in 1992, such an act broke no law. A faultless Respondent need not have to step aside and fold up his business, merely because some foreign company had made radical demands on the Register of Trade Marks.

Even though the Appellant did claim that the "McLaren" mark was known to the Malaysian public long before the Sepang F1 circuit was established by virtue of the various sports programmes and telecast of the races on Malaysian television and that there were many supporters of the McLaren team in Malaysia, there was no discussion in the judgment as to the reason the Court did not consider that the various sports programmes broadcasted in Malaysia showing involvement of the Appellant's "McLaren" team in the F1 race would amount to 'use' by the Appellant of the "McLaren" mark in Malaysia prior to 1992.

Since the broadcasting of the sports programmes featuring the Appellant's "McLaren" team in the F1 race does not amount to *use* in the course of trade of the "McLaren" mark by the Appellant in Malaysia, it would

appear that that must be the reason for the Court to conclude that there was no use of the mark "McLaren" by the Appellant prior to the year 1992.

COMMENTS

Although the two cases discussed were decided based on trade mark laws that had not incorporated the concept of well known trade marks, it would appear that the appellate court's decision is indicative that Malaysian courts will not be too quick to depart from the territorial concept of trade marks.

It may also not be easy to establish that a mark which has not been used in Malaysia, or which goods or services upon which the mark is used, are not made available in the country, is well-known.

Therefore, it follows that actions initiated by foreign trade mark owners against unauthorised use by third parties in Malaysia of their trade marks – notwithstanding that the marks are long used and well-known overseas, are likely to fail unless there is evidence to show local reputation and goodwill of their mark in Malaysia.

To state the obvious, the best form of protection of a trade mark is to use it in the course of trade in this country. Short of actual use, foreign trade mark owners should best adopt a cautious approach in having its marks filed and protected in Malaysia country as the marks are not vulnerable to cancellation for non-use until after three years of its actual registration.

Both cases are under appeal to the apex court of the land, the Federal Court. It remains to be seen if the Federal Court will adopt a more open approach by adopting a less rigid construction of the notion of use and abandon the increasingly artificial boundary of trade marks, given the evolution of consumer perception and the way of doing business brought about by technological advancement in communications.

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(Footnotes)
[1] [1996] 4 CLJ 784 [2] [2008] 1 CLJ 46 [3] [2008] 1 CLJ 613

E-Commerce: Legality
(Part I)

The establishment of Islamic Banks in Malaysia in 1983 is seen as one of the steps taken by the government to implement Islamic principles and values in the economic sector. Prior to that, the economic system was mainly dominated by conventional economic principles. Over the years, the Islamic financial system has become increasingly popular and most financial institutions and banks in Malaysia are offering Islamic financial services.

With the emergence of the Multimedia Super Corridor (MSC), the usage of the internet, in particular for online banking and financial transactions has become crucial and important.

Principles of Contract in E-Commerce

In general, a contract is an agreement, promise or set of promises, which binds both parties concerned, and is enforceable. Contracts can be formed in many ways whether it is done orally, by telephone, fax, telex or in a written document. A contract can be partly oral and partly written.

Section 2 of the Contract Act, 1950 states that "*an agreement enforceable by law is a contract, and every promise and every set of promises, forming the consideration of each other, is an agreement*". In short, a contract is formed when a proposal or an offer is accepted.

Principally, to form a valid contract, three elements are required to be fulfilled:
- *Offer and acceptance*
- *Intention to create legal relations*
- *Consideration*

A contract will be unenforceable if it does not satisfy any of the above requirements.

The UNCITRAL Model Law on E-Commerce states that;

"In the context of contract formation, unless otherwise agreed by the parties, an offer and the acceptance of an offer maybe expressed by means of data messages. Where a data message was used in the formation of a contract, that contract shall not be denied validity or enforceability on the sole ground that a data message was used for that purpose or stored by electronic, optical or similar means, including electronic mail."

From the quote, a contract that is formed in cyberspace is considered valid and enforceable. Since contract law recognises a virtual or digital agreement, a legal contract can also be formed via E-mail, and the World Wide Web.

and Legal Issues from the Shari'ah Law Perspective

In *Shari'ah* law, the law of contract can be found in the *Quranic* revelation in *Al-Maidah* 5:1 : *"O ye believe! Fulfill (all) obligations ('Uqud)".* The word *'aqd'* has been used as an Arabic equivalent of contract. Literally *'aqd'* means conjunction, or to tie two ends together. In this context, *'aqd'* refers to the meeting of the offer and acceptance confirming to and formally approved by the *Shari'ah*.

Islamic contract law requires that the consideration be lawful and legal. It also imposes additional conditions to ensure that the contract formed is free from *"ghar'ar"* (risk and uncertainty) *and "riba"* (usury), because Islam strongly prohibits such elements. In the Quran, the prohibition of *"riba"* is clearly stated:

*"O' ye who believe! Devour not usury, doubled and multiplied; but fear God; that ye may (really) prosper."***(Ali Imran 3:130)**

"Those who devour usury will not stand except as stand one whom the Evil One by his touch hath driven to madness. That is because they say: "Trade is like usury", but God hath permitted trade and forbidden usury. Those who after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for God (to judge); but those who repeat (the offence) are Companions of the Fire: they will abide therein (forever)."

*"God will deprive usury of all blessing, but will give increase for deeds of charity: for He loveth not creatures ungrateful and wicked."***(Al-Baqarah 2:275-276)**

Islam strongly prohibits uncertainty and requires the price be determined at the formation of the contract and cannot be altered at a later date, and/or for the price to be determined by a third party.

Islam requires the value and price be clearly stated in a contract.

Legality of Electronic Commerce According to Principles of Shari'ah Law

The Council of the Islamic *Fiqh* Academy held in Jeddah on March, 1990 has resolved that:-

1. If the contract is concluded between two parties who are not present in one place, and none of them can see each other physically, but can hear his voice, and they are communicating to each other through writing or through a messenger, which includes telegraph, telex, fax and the screen of the computer then, the contract shall be deemed to be completed when the offer is communicated to the offeree and the acceptance is communicated to the offerer.
2. If the contract has been concluded between two parties at the same time, and they are at different places, as in the case of contract done through telephone and wireless, then it shall be deemed as a contract whereby both parties are present. In this case, the original rules established by Muslim jurists are applicable.
3. If a person extending an offer through these devices subjects his offer to a specified period, he shall be bound to abide by his offer throughout this period and cannot retract from it.
4. The rule in paragraphs (1), (2) and (3) above do not cover a contract of marriage (because the presence of two witnesses is a necessary condition for its validity), nor does it extend to the currency exchange contract (because it requires possession), nor to the Salam contract (because it stipulates the immediate payment of the capital price).
5. With regards to the possibility of forgery, distortion or error, reference should be made to the general rules of evidence.

Therefore, electronic means have been accepted as a valid medium of communication for concluding contracts between parties as long as the relevant *Shari'ah* principles are complied with.

➡ *The continuation of this article discussing further legal issues will be highlighted in the next edition of LegalTAPS.*

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Exchange Controls - Foreign Currency Borrowing Limits Removed In Malaysia

In the aftermath of the Asian financial crisis in 1997, Malaysia imposed exchange controls which included the widely publicised ban on the offshore trading in Ringgit. This ban is still in place today. However, many other facets of exchange controls have been liberalised over the years.

Malaysia's exchange control was certainly controversial but it was a medicine that worked for Malaysia. Due to active steps taken by the regulator to progressively dismantle the restrictions, exchange controls feature very little to an informed businessman and investor today.

Recently, an important limit on foreign currency loans which residents are allowed to borrow without Bank Negara's approval has been largely removed. Hitherto, a resident company can only borrow up to the equivalent of RM100 million in foreign currencies before the regulator's approval is needed. This limit has now been removed and a resident company can borrow any amount of foreign currencies from banks licensed in Malaysia (including Islamic banks) and from the company's non-resident non-bank parent company.

This will go some way to easing the cost of doing business for large corporations and foreign investors. However, it is also implied in the latest notification that resident companies are still subject to the regulator's approval if they wish to borrow more than the equivalent of RM100 million in foreign currencies from offshore banks. Having said that, this is not an insurmountable restriction given the myriad ways such loans can be structured to legitimately address the regulator's concerns.

On the Ringgit front, the local subsidiary of a foreign investor is allowed to borrow in the same manner as resident controlled companies in the domestic market.

This new flexibility to borrow in either Ringgit or foreign currencies will enable businesses to better manage forex risks and, as stated by Bank Negara, reduce the costs of doing business and increase business efficiency in Malaysia.

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The Relationship between Network Service Providers and Copyright Holders

Until 2004, Network Service Providers (NSPs)[1] were not accountable to Copyright Holders (i.e. copyright owners and exclusive licensees) for acts of copyright infringement such as hosting or providing access to copyright infringing material on their networks. Indeed, under the then Section 10 of the Electronic Transactions Act 1998, NSPs enjoyed blanket immunity and were completely absolved of responsibility for such acts or infringing material that they host or provide access to.

NSPs lost their blanket immunity when Singapore and the United States of America entered into the US-Singapore Free Trade Agreement (USSFTA) in 2003. Under the USSFTA, one of Singapore's obligations was to remove the blanket immunity granted to NSPs under the Electronic Transactions Act. Instead, NSPs would have to satisfy specific conditions enacted under the Copyright Act to qualify for immunity (commonly referred to as the "Safe Harbour Provisions"). Under the new regime, Copyright Holders were entitled to issue notices to request the NSP to either disable access to or remove the infringing content from its network.[2] A related obligation on Singapore's part was to establish an administrative or judicial procedure enabling copyright owners who have given effective notification of claimed infringement to obtain from the NSPs information in its possession identifying the alleged infringer on an expedited basis.[3]

This article briefly explores the Safe Harbour Provisions and discusses the Singapore High Court's recent decision in *Pacific Internet Limited v. Odex Pte Ltd*[4] in relation to the Safe Harbour Provisions.

The Safe Harbour Provisions

As a starting point, the fact that a NSP elects not to qualify for immunity under the Safe Harbour Provisions,[5] does not mean that the NSP becomes automatically liable to the Copyright Holder for copyright infringement. In cases where the NSP chooses not to meet the qualifying requirements for immunity, the network service provider's liability will be governed, pursuant to Section 10(2)(d) of the Electronic Transactions Act, by the general provisions of the Copyright Act.

The requirements for qualifying for the Safe Harbour Provisions under the Copyright Act vary based on the nature of the services provided by the NSP. In this regard, four different Safe Harbour Provisions (corresponding to the four different roles identified with NSPs) were enacted namely, Section 193B for the transmission, routing or provision of connections; Section 193C for system caching; Section 193D(1)(a) for storage of information; and Section 193D(1)(b) for referring or linking a user of any network to an online location on a network.[6]

Under Section 193B (i.e. the transmission, routing or provision of connections), a NSP qualifies for immunity if it merely acts as a conduit. To qualify, the transmission, routing or provision of connections must be by an automatic technical process without any selection or editing of that material or data by the NSP.

Under Section 193C (i.e. system caching), the NSP qualifies for immunity if the content of the material that is cached is not substantively modified (other than modifications made as part of a technical process) and the NSP complies with the other technical rules under the section. As with Section 193B, what is crucial is that the role of the NSP must be confined to merely providing non-active storage facility without other involvement with the data. The main difference between Section 193C and Section 193B is that the NSP must either remove or disable access to any infringing material from the cache once it has been issued with a take down notice.

Under Section 193D(1)(a) (i.e. storage of information) and Section 193D(1)(b) (i.e. referring or linking), the NSP qualifies for immunity if, *inter alia*, it does not receive any financial benefit directly attributable to the infringing activity and it does not have knowledge of the infringement. As with Section 193C, a Copyright Holder (or a person authorised by the copyright owner) may issue a take down notice and require the NSP to either remove or disable access to the infringing material.

It is interesting to note that the take down notice procedure is not available to Copyright Holders where the activity complained of falls under Section 193B (i.e. the transmission, routing or provision of connections). In terms of legal recourse, this means that Copyright Holders would have no alternative but to commence legal proceedings and apply to Court for an order to disable access to an online location or to terminate a specified account.

This rationale for this as explained by the Minister for Law, Professor Jayakumar, was that in the transmission or routing of materials, it is not appropriate to require the NSP to take down infringing materials. The reason for this is that the NSP would not be in a position to comply with the take down notice as compared to the situation where the infringing material is stored or located on the NSP's system.

Significance of a Take Down Notice: Expedited Pre-Action Discovery

In addition to providing an extra-judicial recourse to Copyright Holders, Article 16.9.22.b.xi of the USSFTA provides that a take down notice is a pre-requisite to an application for an expedited pre-action discovery of the identities of the infringers.

Article 16.9.22.b.xi reads as follows:

"Each Party shall establish an administrative or judicial procedure enabling copyright owners who have given effective notification of claimed infringement to obtain expeditiously from a service provider information in its possession identifying the alleged infringer." (Emphasis added)

The US equivalent of expedited pre-action discovery is found in §512(h) of the US Copyright Act which reads as follows:

"***(h) Subpoena To Identify Infringer.—***

(1) Request.— *A copyright owner or a person authorized to act on the owner's behalf may request the clerk of any United States district court to issue a subpoena to a service provider for identification of an alleged infringer in accordance with this subsection.*

(2) Contents of request.— *The request may be made by filing with the clerk—*

(A) a copy of a notification described in subsection (c)(3)(A);
(B) a proposed subpoena; and
(C) a sworn declaration to the effect that the purpose for which the subpoena is sought is to obtain the identity of an alleged infringer and that such information will only be used for the purpose of protecting rights under this title.

...

(4) Basis for granting subpoena.— *If the notification filed satisfies the provisions of subsection (c)(3)(A), the proposed subpoena is in proper form, and the accompanying declaration is properly executed, the clerk shall expeditiously issue and sign the proposed subpoena and return it to the requester for delivery to the service provider.*" (Emphasis added)

Given that a take down notice is a requirement for expedited pre-action discovery, one issue that has been raised in the US is whether the expedited pre-action discovery is available if the activity complained of falls under §512(a) of the US Copyright Act (the US equivalent of Section 193B i.e. the transmission, routing or provision of connections). The problem, as discussed above, is that there is no take down procedure available under §512(a).

In the first known reported case on this issue, the US Court of Appeals (District of Columbia Circuit) unanimously held in *Recording Industry Association of America, Inc. v. Verizon Internet Services, Inc.* 351 F.3d 1229 that a subpoena could not be validly issued under §512(h) of the US Copyright Act where the activity complained of falls under §512(a) of the US Copyright Act. In *Verizon*, the Recording Industry Association of America, Inc. (RIAA) served Verizon with a subpoena seeking to identify subscribers whom it believed had infringed its member's copyrights by trading large numbers of digital .mp3 files of copyrighted music via "peer-to-peer" (P2P) file sharing programmes.

In 2005, a similar case was heard by the US Court of Appeals (Eight Circuit) *Recording Industry Association of America, Inc. v. Charter Communications, Inc.* 393 F.3d 771. In *Charter*, the US Court of Appeal (by a majority) likewise held that a subpoena could not be validly issued under §512(h) of the US Copyright Act where the activity complained of falls under §512(a) of the US Copyright Act. As with *Verizon*, the RIAA served Charter with a subpoena seeking to identify subscribers who had allegedly transmitted copyrighted works via the internet using P2P file sharing computer programmes.

Given the prevalence of P2P file sharing, it was just a matter of time before a similar case was brought before the Singapore courts. Such a case presented itself in 2007 in *Odex Pte Ltd v. Pacific Internet Limited* [2007] SGDC 248.

Odex Pte Ltd v. Pacific Internet Limited

Odex (acting in capacity as agents of the Copyright Holders) took out an application under O24 r6 of the Rules of Court for pre-action discovery against the Internet Service Provider, Pacific Internet Limited, for the identities of the subscribers who had allegedly infringed the copyright belonging to the Copyright Holders by downloading and sharing anime files via P2P file sharing programmes.

One of the arguments raised by Odex in favour of granting the pre-action discovery was that it was entitled to bring an application pursuant to Paragraph 23 of the Subordinate Courts Practice Direction (the PD).[7]

Paragraph 23 of the PD reads as follows:
"*(1) This Paragraph applies to an application made under Order 24, Rule 6(1) or Order 26A, Rule 1(1) of the Rules of Court -*

(a) by or on behalf of an owner or exclusive licensee of copyright material against a network service provider for information relating to the identity of a user of the network service provider's primary network who is alleged to have infringed the copyright in the material in relation to an electronic copy of the material on, or accessible through, the network service provider's primary network; or

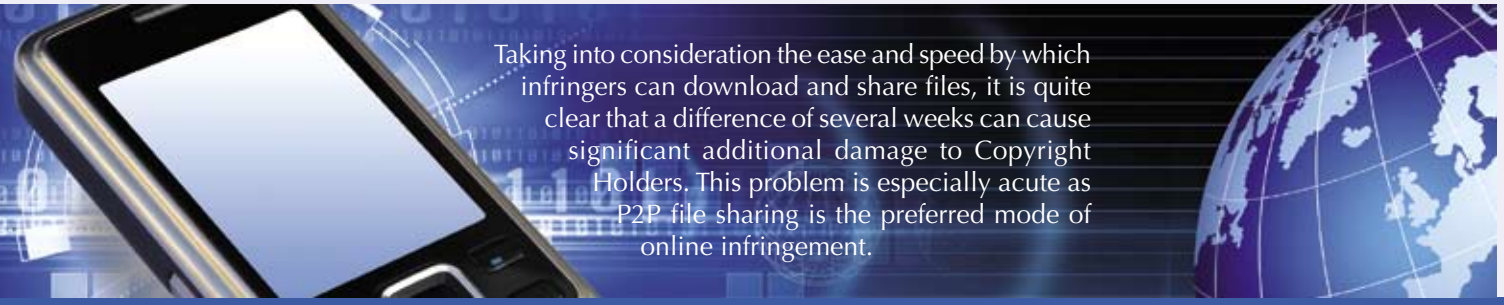
(b) by or on behalf of the performer of a performance against a network service provider for information relating to the identity of a user of the network service provider's primary network who is alleged to have made an unauthorised use of the performance in relation to an electronic recording of the material on, or accessible through, the network service provider's primary network.

(2) An application referred to in sub-paragraph (1) shall -

(a) be made in Form 4 of Appendix A to the Rules of Court; and

(b) when made in accordance with sub-paragraph (2)(a), be fixed for hearing within 5 days from the date of filing of the application.

..." (Emphasis added)



It was argued that the intention behind Paragraph 23 of the PD was to enable any party to obtain expedited pre-action discovery. If this was not intended, then the words "by or on behalf of an owner or exclusive licensee of copyright material" would be irrelevant.

The High Court however dismissed Odex's application on the ground that Odex did not have the necessary *locus* to bring an application for pre-action discovery notwithstanding the PD. The High Court further held that the PD did not have the force of law. Paragraph 23 of the PD could not confer a right on Odex which did not exist under the Copyright Act.

It should be highlighted that the High Court did however allow the joinder of the Copyright Holders at the appeal stage and accordingly ordered the disclosure of the identities of the alleged infringers to the relevant Copyright Holders.

By ordering the disclosure of the identities of the alleged infringers to the relevant Copyright Holders, the High Court has implicitly sanctioned their right to obtain the identities of the alleged infringers under Paragraph 23 of the PD even where the activity complained of falls under Section 193B. In other words, the High Court appears to have taken a different approach from the US Courts and accepted that a take down notice is not a condition precedent to an application for an expedited pre-action discovery.

Conclusion

The High Court's decision in *Odex* is to be welcomed.

It is submitted that the US approach ignores the legislative intent behind an expedited pre-action discovery. By interpreting the subpoena provision under §512(h) of the US Copyright Act (and by necessary implication Article 16.9.22.b.xi of the USSFTA and Paragraph 23 of the PD)[8] to exclude situations where the act complained of falls under §512(a) (e.g. P2P file sharing) is to deny Copyright Holders the full extent of protection envisioned under the Copyright Act. As noted by the sole dissenting judge (Circuit Judge Murphy) in *Charter*, Congress' intention in enacting §512 was to address "massive piracy of copyrighted works over digital networks". Further, the purpose of §512 was to create "strong

incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment".

The difference between an application for pre-action discovery in civil proceedings and one made relying on Paragraph 23 of the PD is significant. Under the former, the hearing for pre-action discovery will be fixed about 4 to 6 weeks from the date of filing of the Originating Summons. In contrast, the application for an expedited pre-action discovery under Paragraph 23 of the PD must be heard within 5 days from the date of filing of the Originating Summons.[9]

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(Footnotes)

[1] NSPs are defined broadly under Sections 193A(1) and 246(1) of the Copyright Act and arguably includes Internet Service Providers (ISPs), search engines, bulletin board system operators and even auction web sites.

[2] See Article 16.9.22 of the USSFTA; The Copyright Act was subsequently amended in 2004 to introduce these provisions.

[3] See Article 16.9.22.b.xi; This obligation was not legislated but instead introduced via the Supreme Court Practice Directions and Subordinate Courts Practice Directions.

[4] At time of writing this article, a written judgment was not available. An oral judgment was delivered on 29 January 2008.

[5] Sections 193B, 193C, 193D, 252A, 252B and 252C of the Copyright Act.

[6] Under the Copyright Act, an NSP enjoys immunity from copyright infringement under 2 different parts of the Copyright Act. The 2 parts are in substance identical to each other and differ only in the nature of the copyrighted work. The 1st part (from Sections 193A to 193F of the Copyright Act) deals with any work or subject-matter in which copyright subsists, while the 2nd part (from Sections 252A to 252D of the Copyright Act) deals with performers' rights.

[7] There is a corresponding paragraph in the Supreme Court Practice Direction at paragraph 43.

[8] It should be noted that Paragraph 23 of the PD was introduced to give effect to Article 16.9.22.b.xi of the USSFTA; See e-Practice Direction No. 4of 2005 at paragraph 1.

[9] See Appendix D of the Subordinate Courts Practice Directions.

ISSN 1675-9729

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Published by
AxcelAsia Group Sdn Bhd
6th Floor, Plaza See Hoy Chan
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50200 Kuala Lumpur
Tel: 603 - 2050 1888
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Printed by
Nets Printwork Sdn Bhd
58 Jalan PBS 14/4,
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T & P Announcements and News

NOTEWORTHY

Tay & Partners was nominated as one of the finalists in the *ALB SE Asia Law Awards* under the category of the **Malaysia Deal Firm of the Year** in Singapore on on 20 June 2008. The Awards honours complex and innovative legal work completed in 2007 throughout SE Asia.

David Lee was one of the speakers in a conference on 18 June 2008 at JW Marriott. The conference is titled Drafting and Negotiating Commercial Contracts for Legal and Non-Legal Managers. David presented a paper on the law of contract in Malaysia, with specific focus to provisions contained in the Contracts Act 1950 and the impact on judicial decisions on those provisions.

Su Siew Ling attended the 130th Annual Meeting of the International Trademark Association (INTA) in Berlin from 17 to 21 May 2008. She also recently presented a paper entitled *'Biotechnology and the Law'* in a seminar organised by Lexis-Nexis entitled Intellectual Property and Biotechnology on 16 June 2008.

Lim Pui Keng attended the 130th Annual Meeting of the International Trademark Association (INTA) in Berlin from 17 to 21 May 2008.

Leonard Yeoh attended the Inter-Pacific Bar Association Annual Conference in Los Angeles from 27 to 30 April 2008. He was the Chairperson of The 2008 Corporate Legal Counsel Conference held in Kuala Lumpur from 10 to 11 March 2008 and also presented a paper entitled *'Effectively Dealing with Employment Law Issues'*.

Ronald Tan attended the Inter-Pacific Bar Association Annual Conference in Los Angeles from 27 to 30 April 2008.

Tay Beng Chai attended the Asia Pacific Regional Meeting of Lawyers Associated Worldwide in Xiamen, China from 24 to 26 April 2008. Lawyers Worldwide is an international network of independent firms targeting the mid-market in regional and international cross border work.

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Wong Poh Swan joins the Corporate and Commercial Practice Group as an Associate. Poh Swan practices in the areas of corporate, commercial and financial related work as well as in conveyancing matters.

Foo Yueh Jiin joins the Corporate and Commercial Practice Group as an Associate. Yueh Jiin practices in the areas of corporate.

Lim Soo Ching joins the Corporate and Commercial Practice Group of the Johor Bahru office as an Associate. Soo Ching practices in the areas of conveyancing and banking matters.

Muhammad Firdaus Bin Bidin joins the Litigation and Dispute Resolution Practice Group as an Associate. Muhammad Firdaus practices in the areas of banking litigation with primary focus on debt recovery and execution proceedings.

Chew Choon Leong joins the Litigation and Dispute Resolution Practice Group as an Associate. Choon Leong practices in the areas of general litigation and debt recovery.