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KKDN:PQ/PP/1505(13829)

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Our 20th Anniversary Celebration

The last quarter of 2009 has been a busy one for Tay & Partners. On 26 October, we organized a seminar entitled "Investments in China: Legal and Regulatory Issues". Attendance was impressive with 140 clients and business associates sitting through and picking up pointers on doing business in China. The timing of the seminar was excellent coming just after the signing of the ASEAN – China Investment Guarantee Treaty and before Chinese President Hu JianTao's visit to Malaysia from 10 – 11 November 2009.

The seminar was co-sponsored by Lenovo and supported by Bank of China, both leading brands and renowned Chinese business institutions. The Edge Financial Daily covered the event. We thank Lenovo, Bank of China and The Edge for their support.

We are also deeply indebted to our Chinese friends from Beijing (Mr. Yi Zhou and Ms. Hao Wang from Rayyin & Partners), Tianjin (Mr. Simon Bai from Winners Law Firm), Xiamen (Mr. Ron Xu from Sphere

Logic), Guangzhou (Mr. Henry Liao from Schinders Law) and Hong Kong (Mrs. Christine Koo from Christine M. Koo & Ip, Solicitors & Notaries). These fine law firms are members of Lawyers Associated Worldwide which is a network of more than 100 law firms across the globe. Tay & Partners have collaborated with some of these firms when we support our clients who are increasingly conscious of the need for Malaysian counsel with excellent rapport and working relationship foreign counsels when investing abroad.

On a lighter note, we hosted a cocktail reception at the fabulous French restaurant Frangipani on 5 November 2009 to commemorate our 20th Anniversary this year. It was an entertaining evening with jazz, entertainment, drinks and canapés. We toasted 160 of our friends and associates who could make the evening for having worked with us and given us the opportunity to do what we do best – providing legal advice and support to their companies and organizations. Tay & Partners always pride itself as a law firm with a difference. – we have always seen ourselves as partners to our clients and legal services is very much both a personal and professional service requiring loyalty



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and dedication to the cause of the client. We continue to strive to be the law firm of choice to you.

We will close 2009 with reasons to be optimistic for the future despite the financial crisis that engulfed much of the world's financial capitals in 2009. Malaysia's trade – driven economy has been affected but we now sit on the cusps of recovery and transformation of the economy under a new economic model that our government is undertaking.

To all our friends and associates, our heartfelt thanks for 20 years of friendship. Our best wishes for the years ahead and in particular may the recovering momentum in the economy carry all of us into a bright and promising 2010. Happy New Year as you welcome 2010!



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Chinese Law Seminar



between all the parties resulted in a successful seminar with an all round focus by means of a combination of quality and educational presentations, question and answer sessions and interactive discussions.

The Chinese speakers at the seminar included Mr. Henry Liao of Schinders Law, Guangzhou, Mrs. Christine Koo of Christine M. Koo & Ip., Solicitors & Notaries, Hong Kong, Ms. Hao Wang and Mr. Yi Zhou from Ray Yin & Partners, Beijing/ Shenzhen, Mr. Ron Xu of Sphere Logic, Xiamen and Mr. Simon Bai of Winners Law Firm, Tianjin whilst the Malaysian moderators consisted of our respective partners from the Tay & Partners KL office, namely Mr. Chang Hong Yun, Mr. Ronald Tan, Mr. Leonard Yeoh, Ms. Su Siew Ling and Mr. Cheah Soo Chuan.

The efforts by Tay & Partners in bringing together a host of very experienced and qualified foreign and local speakers at the seminar, together with their co-sponsor, Lenovo and with the support given by the Bank of China, proved useful and valuable in providing participants with the opportunity to learn first-hand from the experiences of the legal experts dealing with Chinese legal and regulatory issues involving investments in China.

A Chinese Law Seminar on Investments in China focusing on legal and regulatory issues was held at the Prince Hotel, Kuala Lumpur on the 26 October 2009. The seminar was organized by Tay & Partners who invited their LAW Chinese counterparts from Guangzhou, Beijing, Shenzhen, Xiamen, Tianjin and Hong Kong to share their experiences and expertise on various issues for the benefit of their clients. The seminar aimed at educating local businesses and investors on how they can navigate through Chinese legal regulatory issues and approvals.

The seminar was initiated by Tay & Partners' Managing Partner, Mr. Tay Beng Chai, who wanted to create a greater awareness about the opportunities of investing in China. As China has developed into one of the most powerful economies in the world, the scale of market opportunities is vast and there are plenty of challenges and opportunities in almost every product or services sector. The aim of the seminar is to share insights from leading legal experts who are currently working on legal issues affecting businesses and investments in China. This initiative will showcase how a legal firm in Malaysia can help bridge the gap between local Malaysian business owners and local investors with their Chinese legal counterparts in the various territorial provinces in China. By tying together their vast Chinese law connections, Tay & Partners is able to provide that extra mileage in terms of advising local businesses and local investors who are attracted to investing in China.

The Chinese speakers spoke on various issues during the seminar. The issues ranged from sectoral approvals, taxation, employment, Intellectual Property Rights to dispute resolution processes from both the Malaysian and Chinese perspectives. For local businesses and investors to successfully penetrate into the Chinese sectors and markets, it goes without saying that they should refer and rely on the appropriate legal experts who are able to advise them on how to navigate through the Chinese legal framework and structure for their business and investment protection and enforcement. It was against such a background and objective that the seminar was planned.

The seminar proposal was brought forth to the Bank of China and from there, the idea was developed to have a seminar supported by the Bank of China and a joint co-sponsorship was sought with Lenovo, a leading international Chinese manufacturer of personalized computers. The outcome of the collaboration



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Liberalization of FIC Guidelines



the acquisition of properties. However, foreign interests are not allowed to acquire commercial properties below RM500,000, residential properties below RM250,000 (until the end of 2009) and residential properties below RM500,000 (effective from 1 January 2010).

The rationalization of these guidelines is part of the government's continuing efforts to liberalize the Malaysian economy to attract greater foreign investments.



On 30 June 2009, the Malaysian government announced a rationalization of the investments guidelines administered by the Foreign Investment Committee ("FIC") which took effect immediately.

Following this, the FIC's Guideline on the Acquisition of Interest, Mergers and Takeovers has been repealed. The FIC's approval is therefore no longer required for all transactions on acquisition of interests, mergers and takeovers of Malaysian companies and businesses by both local and foreign interests. The FIC will no longer process such transactions nor impose any equity conditions on such transactions. Further, conditions (equity or non-equity) imposed by FIC on companies previously, are automatically waived. However, equity conditions imposed by the respective sector regulators will continue to apply for strategic sectors. For sectors not deemed strategic, there will no longer be any equity conditions imposed.

The government has also abolished the requirement for companies undertaking initial public offerings to have at least 30% Bumiputera equity upon floatation as imposed by the Securities Commission of Malaysia. However, such companies will need to have at least 50% of the 25% public shareholding spread requirement issued and allocated to Bumiputera investors recognized by the Ministry of International Trade and Industry.

On the FIC's Guideline on the Acquisition of Properties, FIC's approval is no longer required for all transactions on direct acquisition of properties by local and foreign interests except for transactions involving the dilution of Bumiputera interests and/or government interests in properties valued at RM20 million and above. Hence, except in the event of such dilution, foreign interests are no longer required to apply for FIC's approval for



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New Bursa Malaysia & Securities Commission Guidelines



Access, Certainty and Efficiency will replace those previously on the Mesdaq Market. The new board structure aims to establish separate markets for investors with different risk profile and risk appetites as well as to bring Malaysia's equity guidelines in line with those of the regional bourses in order to increase Malaysia's competitive positioning as a preferred listing and fund raising destination.

■ New Approach

The intention for disclosure-based submission to be put into practice dated as far back as year 2001. This new regime adopted the 'market-driven regulatory approach' which shift emphasis from assessing suitability of proposal to ensuring standards of disclosure are upheld, to enhance market framework by providing greater transparency via enhanced disclosure. Securities Commission's approval under section 212 of the Capital Market and Services Act will only be required for Initial Public Offerings, secondary listings and cross listings and transfer of listings from ACE market to Main Market but Securities Commission will continue to vet and register prospectuses under section 232 and section 237 of the Capital Market and Services Act to ensure adequate disclosures to the investors. Securities Commission will no longer assess the suitability of corporate proposals based on companies' viability. This is due to the understanding that regulator is not necessarily the best party to judge the capacity and reliability of a company's business model and their management. Instead, the Securities Commission's review of corporate proposals will focus on compliance with minimum quantitative requirements, standards of corporate governance, resolution of conflicts of interest, preservation of public interest and adequacy of disclosures.

Investors have always been concerned about the overlaps between the role of the Securities Commission and Bursa Malaysia. Today, with the new regulatory approaches, there is a clear line of demarcation: Security Commission will be focusing on Primary / New Listings – the Securities Commission approval is not required for certain equity based proposals such as acquisitions, secondary listings and cross listings and transfers of listings to the Main Market. Bursa Malaysia will be focusing on subsequent listing except for back door listings and reverse take-overs. Bursa Malaysia will take over the role of evaluating such proposals using the listing requirements. Bursa Malaysia will be the approving authority for all secondary equity fund-raising such as rights issues, placements and issuances of securities for acquisition of assets that do not change the core businesses of listed issuers. It is essential for the corporate sector to have quick access to capital. Shortening the time-to-market has been made possible as under the new regime as the approval time for listing by Security Commission will be shorten from the previous minimum of 74 working days to 60 days.

■ New ACE Market

Unlike the Mesdaq Market which was restricted only to high-technology and high-growth companies, ACE Market is open to all companies involved in all business sector as long as it acquire a sponsor (which is usually an investment bank) and complies with the listing requirements. In the Mesdaq Market the listed and quoted securities must be in Ringgit Malaysia with a minimum qualitative requirements imposed, but now no minimum operating track record profit or share capital requirements are required to gain listing while listed & quoted securities can be in foreign currency.

■ An Overview

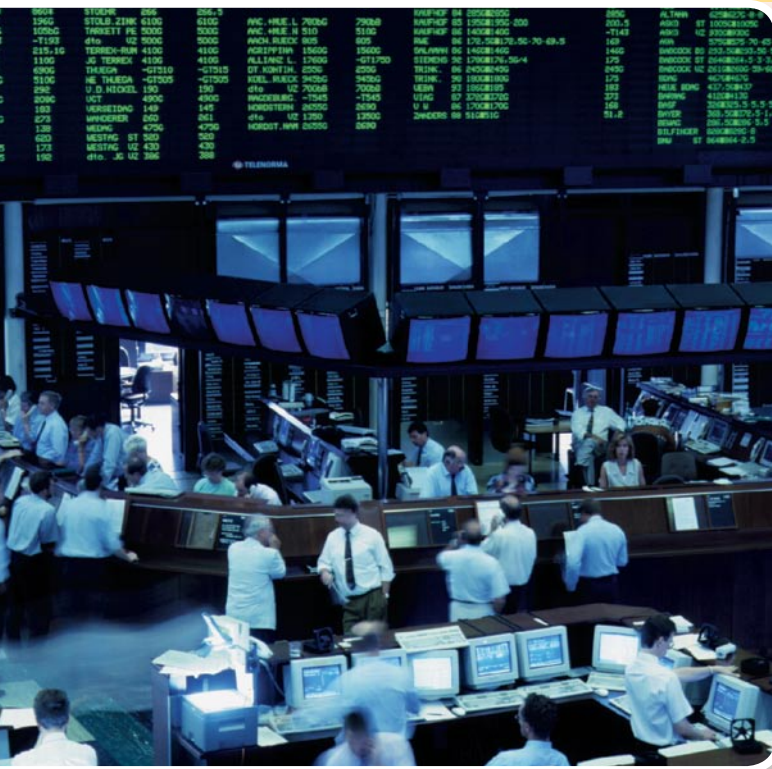
Malaysia's capital markets have come a long way since 9 May 1960 when Malayan Stock Exchange was created. In the early 1990s, heavy inflow of foreign direct investments created a big pool of local companies which channel a period of high economic growth, and the subsequent increase of privatized projects made Malaysia to be one of the fastest growing markets in the region. Malaysian Airlines System was the first privatized company to go on public in 1985 then. Malaysia's was once among the fastest growing markets in Asia but now, we no longer have the number of listing like we use to have back in the 1990s, as the likes of China, Hong Kong, Brazil, Russia, India, Singapore and Indonesia increase, making those countries a more preferred destination for capital flow by international investors. For instance, Malaysia has seen the numbers of new listing declining significantly: In 1994 there were 92, in 2005 there were 79, in 2007 there were 26, and up to date 3 in year 2009 which include Malaysia's first direct foreign listing on the local bourse-XinQuan International Sports Holdings Ltd's IPO.

Recognising the need to stay competitive, Malaysia's Government has to bring the Malaysian markets up to par with other emerging markets. Hence, it is essential that Malaysia's Government re-examine its roles, not only as regulators with the aim of boosting Malaysia's capital markets development when the global capital markets are still in grips of the unprecedented crisis. One of the measures taken was the abolishment of the Foreign Investment Committee and removing the 30% bumiputera quota requirement in all companies. The government will also allows 100% foreign equity participation in corporate finance and financial planning companies in year 2010 compared with the present requirement of at least 30% local shareholding.

■ New Framework

Bursa Malaysia has introduced its new board structure, and the Securities Commission had released five guidelines on equity, principal adviser, prospectus, asset valuation and structured warrants to give effect to the revamped regulatory framework. These new fund-raising measures aim to allow more efficient access to capital and investments and transform Malaysia into a more attractive platform and foreign companies.

From 8 August 2009 onwards, companies listed on both Main and Second Boards are streamlined into a single unified board known as 'Main Market'. The brand new "ACE Market" which stands for



■ New Changes in Equity Guidelines

Under this new simplified framework, companies wishing to list under the profit track record test must have an aggregate profit-after-tax of a minimum RM20 million over the past 3 to 5 years, coupled with a minimum profit-after-tax of RM6 million for the year before the listing. As for companies seeking to list under the market capitalisation test, it requires a minimum market capitalisation of RM500 million with a minimum most recent profit-after-tax of RM30million. Now, companies need a minimum market capitalisation of RM500 million, with no prescribed minimum net profit requirement in order to be listed under the market capital test. The revamped Securities Commission Equity Guidelines, removes the need for minimum issued and paid-up capital while previously Main Board listing requires a minimum paid up capital of RM60 million and Second Board listing requires a minimum of RM40 million.

The “Special Purpose Acquisition Companies” (SPAC) was introduced under the new regime. SPAC means “a company which has no operations or income generating business at the point of IPO and has yet to complete a qualifying acquisition with the proceeds of the IPO”. SPAC can only be listed on Main Market but not on the ACE Market. For SPAC to operate, it must raise at least RM150 million at Main Market IPO with minimum 90% of IPO proceeds bank into trust account, a minimum 80% of trust monies to be used for qualifying acquisition, a minimum 10% of SPAC held by management team. The SPAC must complete qualifying acquisition within 36 months from IPO, and a moratorium on entire shareholding of management team until after qualifying acquisition. If SPAC fails to complete qualifying acquisition within timeframe, SPAC must be liquidated and money redistributed to public shareholders. Furthermore, the qualifying acquisition must be abandoned if more than 25% of public shareholders vote against it. Public shareholders who vote against qualifying acquisition entitled to receive money in exchange of shares.

■ Conclusion

The new regime is a result of an extensive consultative process aimed at allowing more efficient & simplifies access to capital and investment. It is market friendly, investment friendly, issuer friendly as well as regulatory friendly. It recognizes a new fund raising environment in terms of the variety of investors, issuers and is premised on stronger regulatory capabilities with more diligent surveillance of the market and greater reliance on enforcement. It is hoped that with this new regulatory framework coupled with the series of measures in Budget 2010 in relation to the capital market, such as the government’s extension of tax incentives for the Islamic finance and Takaful sectors to year 2015, measures to encourage flexible brokerage sharing between stockbrokers and remisiers and the proposal to liberalise foreign equity participation in corporate finance will boost the competitiveness of Malaysia’s capital market and to facilitate Malaysia in maintaining its attractiveness as a more preferred financial centre for capital flow in Asia.

ACE Market is sponsor-driven and open to companies of all sectors. Although the Securities Commission will still vet and register a company’s prospectus aiming for ACE Market Listing, Securities Commission approval will no longer be needed for certain corporate proposals. These measures taken by the Government are major steps to embrace investors and companies to enter and exit the market without barriers, while giving more investor more protection based on the creation of sponsorship role of experienced advisers. Now, it is for the sponsor to ensure that the company is fit to be listed.

Sponsors take on with an incredibly heavy burden as should a company fail to perform well after a listing, the reputation of the sponsor could be affected, and this could affect its future undertaking. The Sponsors must have a sound understanding of the applicant’s business, operation and industry, the responsibility to advise and guider the company as well as having a reporting obligation to Bursa of any breach of listing requirement or any material adverse change to the Company’s financial and operating position. The sponsorship period, like Mesdaq, is for three years after IPO. But unlike Mesdaq, where the sponsorship would cease after the third year, the ACE Market requires the sponsorship to continue for another financial year if the company has yet to generate revenue after 3 years.

A Sponsor can only resign after the first year with 3 months notice and with Bursa’s approval. As a result of the heavy burden shouldered on the sponsors, companies which intent to be listed in the ACE Market will have to incur a higher listing cost .The average cost estimated for a 3 year sponsorship cost would range from RM 300,000 to RM350, 000 for Mesdaq Market but the listing cost for a 3 year sponsorship for ACE Market could be from RM600, 000 onwards and the cost will increase with extended sponsorship. A Company’s share will be suspended if it is unable to get a Sponsor or a replacement Sponsor, further, if the suspension continues for 2 months, Bursa shall automatically de-list them from the stock exchange. With this measure, we would have more quality companies listed in Malaysia and weeding out the non-performing companies from the stock exchange as a quality market is not just about having the right infrastructure, regulatory framework - the companies which participate in our capital markets should be of certain quality and standards.



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A Decade of Designs: Eye Appeal, Novelty and Invalidity



The Appellant in its application to expunge the Disputed Design contended that:

the Disputed Design cannot be registered as an industrial design as it has no aesthetic value and its design is dictated purely by function, hence it is not an industrial design within Section 3 IDA 1996;

The Disputed Design is not new contrary to Section 12(1) IDA 1996 as it has been disclosed to the public, and therefore the Respondent cannot satisfy the statement of novelty requirement in Section 14(1) IDA 1996;

The Respondent is not the author and owner of the Disputed Design.

The Registrar decided that:

the Appellant's Omega Lug and Disputed Design on the whole differed although they carried out the same function; the Disputed Design is not dictated purely by function; and the Disputed Design had not been disclosed to the public prior to the application date of the Disputed Design and the contents of the agreement were only known by the parties to the agreement.

The decision of the Registrar was upheld by the High Court upon appeal.

■ Appeal

Appeal to the eye

The Appellant contended that the Disputed Design was not created to be viewed by anyone as it is to be embedded in the wall or buried under the soil. Hence its appearance is irrelevant and has no eye appeal as such to a purchaser.

The Court however is of the view that a product does not lose its aesthetic appeal just because it is hidden from the view of the public. The Court cited the case of *Amp Incorporated v. Utilux Pty. Ltd* (1972) RPC 103 and held that the "person who may be deciding whether or not to acquire the finished article" or the "attention of the beholder" is the purchaser of the design and not a disinterested person in the street. The fact that the product will ultimately be hidden from the public's view when the purchaser uses the product is not the determining factor in assessing the requirement of eye appeal.

The Court further found that the Respondent had designed its lug in various different designs and gave each design aesthetic qualities.

■ Dictated solely by function

The Court held that the term "dictated solely" means that there is no other freedom to design the product. If there is freedom to design, then those features would not be dictated solely by function.

The Industrial Designs Act (IDA) 1996 has been in force for 10 years. Registration of an industrial design is a relatively straightforward process as there is no substantive examination and it takes an average of a year to register a design. The maximum period of protection is 15 years and the industrial design system therefore offers a cost-effective protection for both creative and engineering designs.

As the industrial design regime celebrates a decade of utility, two recent decisions, one by the High Court and the other by the Court of Appeal shed some light on the interpretation of some of the provisions of the Act.

In the High Court case of *Anchorsol Sdn Bhd v Nehemiah Reinforced Soil Sdn Bhd* (2008) 1 LNS 576, the court dealt with the issues of registrability of an industrial design from the functional aspect as well as the requirement of eye appeal, and the destruction of novelty as a result of prior disclosure in a patent application and licence agreement. The appellant, Anchorsol Sdn Bhd appealed against the decision of the Registrar of Industrial Designs (the Registrar) where the Registrar dismissed the Appellant's Rectification Application to expunge the Industrial Design (Design No. 3) for "Anchorage Lug" (Disputed Design) in the name of the Respondent pursuant to section 24(3) of the IDA.

■ Background

A patent application entitled "Anchoring means for retaining wall system" (known as the Omega Lug") has been granted to one Lai Yip Poon and Tham Yoke Wah (Lai & Tham). Lai & Tham subsequently entered into a business and license agreement which granted the Appellant the exclusive right to use the Omega Lug in Malaysia in 2001. Pursuant to the said agreement, the patent application was disclosed to the Appellant and its employees.

The Respondent filed an application to register an industrial design described as the Anchorage Lug, 2 years after the patent application and the use and sale of the Omega Lug by the Appellant. The said design was registered. The Anchorage Lug consists of 5 specific designs and the Appellant only disputed Design No.3.



The Organization of Harmonization of Markets (“OHIM”) had in considering Article 8 (1) of the Council Regulations (European Community) No. 6/2002 which is substantially identical to the requirement of Section 3 IDA 1996, stated that the mere fact that a technical effect can be achieved another way is sufficient not to invalidate a registered design, even if the other way of achieving the effect may be significantly more difficult, more expensive or financially, environmentally or otherwise disadvantageous.

The Court in the present case held that the fact that the shapes of the flanges of the lug can be designed in many ways together with the fact that the Appellant’s lug and the Disputed Design consist of different features in shape and configuration is evidence that there exists freedom to design the shape and configuration. Thus, the Disputed Design does not exist merely because of the function it has.

■ Novelty of Respondent’s Design

The Appellant claims that the Disputed Design is not new as the Omega Lug (Appellant’s Design) was disclosed to the public before the priority date of the Disputed Design by reasons of:- the Business and License Agreement which disclosed the Patent Application to the Appellant and its employees as at the end of July 2001; the sale of the Omega Lug (Appellant’s Design) since July 2001.

The Court held that all disclosure to third parties were made on a confidential basis and therefore such disclosure was not novelty destroying.

■ Immaterial differences in the Designs

The Appellant also alleged that the Disputed Design is not new as it has immaterial differences to the Appellant’s Lug. The Court considered the principles discussed by Justice Laddie in the Household Articles Ltd’s Registered Design [1998] F.S.R. 676 which had been applied and approved by the High Court in the case of Arensi-Marley (M) Sdn Bhd v Middy Industries Sdn Bhd (2004) 8 CLJ 20. Justice Laddie had opined that,

“A design may be valid over prior art even though individual features are very similar. To the eye, the impact of small differences may be considerable. Conversely, differences may be substantial but the overall visual impact may be similar.”

Based on the first visual impression test set out in the cases, the Court found that both the Appellant’s Lug and the Disputed Design are substantially and significantly different. The Court in applying the imperfect recollection test is also satisfied that a normal viewer, after being given a short period of viewing the Disputed Design and the Appellant’s Lug, would still be able to tell the designs apart when the designs are removed from his sight and presented again. As such, the novelty of the Disputed Design has not destroyed.

In the recent Court of Appeal decision in the case of Arensi-Marley (M) Sdn Bhd v Middy Industries Sdn Bhd, the Court upheld the decision of the High Court, particularly, the approach to the question of novelty, which was also applied in the Anchorsol case. More importantly, the case exemplified the peril of invalidating an industrial design pursuant to a perceived wrong section of the Act.

Briefly, the Appellant claimed to be the pioneer manufacturer of uPVC rainwater products. The Respondent designed a rain gutter and had it registered as an industrial design (“Design 372”) in 2001. The Appellant contended that it had manufactured and sold its rain gutters since 1994 which are similar to Design 372. As such, the said design was not new pursuant to Section 12(1) IDA 1996. The Appellant contended that the “non-closure” of the two ends and longitudinal ribs along the Respondent’s rain gutter which differed from the Appellant’s rain gutters were immaterial details and features commonly used in the trade.

The learned High Court judge had found from his first visual impression that the additional features of “Design 372” were new and that none of the prior publication of rain gutters showed non-closed ends at the terminal edge of the side walls and longitudinal ribs along the 3 sides. The High Court judge also looked at the Respondent’s design as a whole and not by mere reference to its composite parts or features.

The Court of Appeal upheld the approach taken by the High Court judge and affirmed the finding that features which the Appellant was seeking to dismiss as immaterial differences or common variants in the trade, “were the very features that attribute originality and newness to “Design 372”.

The Respondent had also raised the issue whether the Appellant was correct in seeking to expunge “Design 372” under Section 24(1) IDA 1996, instead of Section 27. Section 24 reads:

“Subject to the provisions of this Act: the Court may, on the application in the prescribed manner, of any person aggrieved by or interested in the non-inclusion in or omission from the Register of any entry, or by or in any entry made in the Register without sufficient cause, or any entry wrongfully remaining in the Register, or any error or defect in any entry in the Register, make such order for including, making, expunging or varying any such entry or for the correcting of any such error or defect as it deems fit...”
 Whereas Section 27 reads:

“At any time after the registration of an industrial design, any person may apply to the Court - for the revocation of the registration of the industrial design on the ground, subject to section 12, that the industrial design has been disclosed to the public prior to the priority date of the application for registration of the industrial design...”



design registration on the grounds of lack of novelty or procurement of registration by unlawful means. Section 24, on the other hand, allows expungement of an entry made without sufficient cause or which is wrongfully remaining in the Register.

The Court of Appeal may have therefore gone too far in cutting down the application of section 24. By comparison, a similar provision for expungement of a registered trade mark is found in section 45 of the Trade Marks Act 1976, and it is trite and well established that the whole of the trade mark registration may be expunged pursuant to section 45 if it is found to be wrongfully remaining in the Register or was entered without sufficient cause.

The delimiting approach of the Court of Appeal may therefore have to be revisited in future cases (though for the present, the decision of the Court is binding), especially when industrial designs are granted without having to undergo substantive examination.

The Court held that section 24 is limited to making, expunging or varying an “entry” in the Register as opposed to Section 27 which is concerned with the revocation of the registration of a design as a whole. As the Appellant had sought to expunge the whole registration, it could not rely on section 24.

■ Commentary

It would appear from the Anchorsol case that the requirement of eye appeal is not strictly applied, and as such, the standard of “aesthetic appeal” of an article to which an industrial design is applied is relatively low. This invariably widens the scope of protection to many features and parts of articles which may be functional, though not purely so, and are not visible to end users. Such an approach is in accord with laws in many developed countries where functional articles are capable of protection as industrial designs, recognizing the substantial investments and commercial value attributed to such designs. However, if the design sought to be protected is functional in nature, as a corollary, it would also render registration of such a design much more difficult to enforce, as minor (though not immaterial) differences may be sufficient to distinguish the registered design from the alleged infringing design, if such differences are common in the trade.

The Arensi Marley decision on the other hand narrows the grounds upon which the revocation of a registered industrial design may be pursued. By confining the invalidation of the whole entry of a registered design only to the provisions of section 27, the utility of section 24 will be considerably undermined. Section 27 only permits revocation of a



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Protection of Multilingual Trade Marks



Malaysia, being a multiracial and multicultural country has its obvious advantages from the business perspective. A major advantage is that most Malaysians are at least bilingual and are mostly multilingual. This translates to great business opportunities for traders from the Far East, India, Middle East and the West being able to find an available and thriving market for their goods/services bearing their native language in our local market.

Conversely arising out of this situation, an interesting challenge faced by our country is the legal and practical effect of using multilingual trade marks, or identical trade marks in different languages. The effects are considered from the procedural aspects of the examination process to the practical aspect of potential confusion and deception likely to be raised by multilingual trade marks in Malaysia.

The common languages used in the majority of trade marks applications in Malaysia are our national language Malay as well as English. Increasingly there have been filings in Chinese language (both simplified and traditional characters) and other ethnic languages. Also seen are various foreign language marks, including French, German, Japanese and many others.

As provided under Regulation 23(1) of the Trade Marks Regulations 1997, all marks containing a word / words in characters other than Roman shall be accompanied by a certified transliteration and translation of each of the words, as well as to state the language which the words belong. This would include Chinese, Japanese, Arabic

and Hindi characters. In addition, following Regulation 23(3), even where the mark is in Roman characters but is in a language other than the national language (Malay) or English, a translation of the words shall be included, which encompasses French, German, Latin and other languages.

■ Trade Mark Examination Process and Considerations

From the Trade Mark Registry's point of view, inherent distinctiveness and conflict with a prior mark are the 2 main concerns when examining marks. The Examiner will generally conduct checks on the mark as it appears on the registration (for example, a mark of the French word "Bonjour") against the database of prior marks. The Registry in most cases will go a step further and look at the translation of the mark (in our example the word "Bonjour" means "Hello" in English) and will check the English word against their existing database as well as checks for inherent distinctiveness of the word "Hello" in relation to the goods/services applied for.

Therefore, it is not uncommon to receive preliminary objections from the Registry in relation to a mark applied in one language, citing prior marks applied in another language for the same word (an example would be the word "Singa" (Malay for "lion") being objected due to the word "Lion" applied in the same class by 2 different proprietors).

An added worry for a foreign proprietor would be whether their mark bears a scandalous or offensive meaning in local usage in Malaysia, bearing in mind the various religions and culture sensitivities present. For example, the Trade Marks Registry has rejected the application for the mark "NABI" as the word bears a religious meaning (it means "Prophet" in the Malay language) which would make it scandalous and offensive when used as a trade mark.

A far sighted entrepreneur may also wish to apply for a word mark in variations of a few languages (for example "Bonjour", "Hello", "Apa Khabar") with the view of market penetration into different consumer/ethnic groups in Malaysia. The question is whether the entrepreneur is able to file for all variations of the mark in one single application, known as a series of marks?

In brief, a series application is allowed in Malaysia if several trade marks in respect of the same goods/services or description of goods/



■ Confusion and Deception

Does trade mark protection in one language, e.g. English protect the trade mark in all major languages in Malaysia? To illustrate, Trader A has registered the mark “Lion”, Trader B intends to use the word “Singa” for the same goods. The approach by the Trade Marks Registry is protectionist and therefore there is possibility that Trader B may not be allowed to register “Singa”. This gives the unintended consequence that Trader A would be able to prevent all other uses of the word “Lion” in other languages upon the same goods/services as his, which is a protection wider than intended and creates less than ideal opportunities for other traders.

From the legal standpoint, the question of whether the trade and public would be confused and deceived as to the origin of the goods “Singa” and “Lion” should be judged according to the average Malaysian, who is bilingual and fluent in Malay and English. The usual English cases of comparing marks in their entirety and as a whole are instructive. The landmark of “Solio” where allusion to a foreign element / mark is allowed is not applicable in Malaysia where consumers are bilingual and therefore there is no “allusion”.

The closest Malaysian case is that of *Yomeishu Seizo v Sinma Medical Products* [1996] 2 BLJ 142. The case was initiated by the registered proprietor of the word “Yomeishu” based on trade mark infringement and passing off against the Defendant for the use of “Chinese Yang Ming Jiu” on a similar wine product, the last 3 Chinese characters being the same (although pronounced differently in different languages).

The Judge found that there could be confusion between the marks due to the identical Chinese characters used. His Lordship V.C. George went on to say that once a mark is registered in a particular language, another person cannot claim registration of the same word in another language using the equivalent in translation. The *Yomeishu* decision could be based on the fact that almost 100% of customers who purchased the goods were Chinese and could recognize the Chinese characters in the mark, as well as evidence of actual confusion being adduced by the plaintiff.

Conversely in the English case concerning *Marcos Bale Y Hynos’ Application for a Trade Mark* [1948] 65 RPC 17, the Applicants applied for the Spanish mark “Solibrisa” which was opposed by the Opponent who have registered “Summer Breeze”, on the grounds that the word “Sol y brisa” means “Sun and Breeze” in Spanish. The Assistant Comptroller Mr Chisholm who heard the case confined the test of confusion to only the English speaking public and decided that the possibility of confusion was remote. Various factors may have

services in the same class are filed and the marks resemble each other in material particulars. The differences in the marks must not substantially affect the identity of the trade marks. In a series application, each mark is conferred trade mark protection and the intention is not to use the mark in series, but individually and separately.

If the marks “Bonjour”, “Hello”, “Apa Khabar” are put in a series, the test that have to be applied by the Examiner to examine the marks would be different, due to the obvious phonetic and aural differences in the marks. The checks for conflict with prior marks and examining for inherent distinctiveness are different. The differences between the marks are material even though the meaning of the marks is the same and in this instance, the Registry will not accept such marks in series, unless the words are to be used together as one trade mark. The marks have to be separately filed as different applications.

■ Examination Process for Chinese Characters

When examining Chinese characters, both the Chinese characters and the phonetic equivalent of the marks are checked in the database. Therefore any Chinese characters which are similar or identical would be picked up, and in addition, any Chinese characters with similar phonetics (but a totally different character or meaning) would also be picked up. This is in addition to the checks against Roman character marks in the database on the meaning of the marks.

In practice the objections to similar phonetics between characters are overcome by highlighting the differences in meaning between the characters.



persuaded Mr Chisholm to arrive at this decision, first there being no evidence of actual confusion (unlike the Yomeishu case) as well as the fact that the general English public are not familiar with Spanish.

In Malaysia which is a multilingual country, there is likelihood that a trade mark in one language would be referred to in another language, and the case is the same between a word mark and a mark with a pictorial representation of the word. There are case law which held that where there is an essential feature of a mark (for example a device of a lion), the public would recognize the mark as the “Lion” mark, without recognizing or remembering other distinguishing features in the mark (for e.g. words accompanying the mark). Therefore there is great likelihood that consumers with different native languages would ask for the mark by the name “Lion” in different languages.

A trader intending to use a mark should consider the presence of marks in the market which is the equivalent of their trade mark in another language. It is therefore prudent for a trader to conduct preliminary searches at the Trade Mark Registry to identify any possible obstacles to the intended trade mark, as well as to check with local counsel whether the mark is deemed inherently distinctive and/or bears any meaning which is offensive.

■ ICANN Approves Non-Latin Domain Names

The Internet Corporation for Assigned Names and Numbers (ICANN), which is responsible for the global coordination of the Internet’s system of unique identifiers like domain names (like .org, .museum and country codes like .uk), has on 30 October 2009 announced the approval of non-Latin characters in domain names.

“The coming introduction of non-Latin characters represents the

biggest technical change to the Internet since it was created four decades ago,” said ICANN chairman Peter Dengate Thrush. “Right now Internet address endings are limited to Latin characters – A to Z. But the Fast Track Process is the first step in bringing the 100,000 characters of the languages of the world online for domain names.”

ICANN’s Fast Track Process launches on 16 November 2009. It will allow nations and territories to apply for Internet extensions reflecting their name – and made up of characters from their national language. If the applications meet criteria that include government and community support and a stability evaluation, the applicants will be approved to start accepting registrations.

“The first countries that participate are also going to help to bring the first of billions more people online -- people who never use Roman characters in their daily lives,” said ICANN President and CEO Rod Beckstrom.

ICANN will be watching the domain name changes closely to see what impact it has on the rest of the Internet.



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Real Property Gains Tax: What You Need To Know From 2010 Onwards



Schedule 1

Category of Disposal	Rates of Tax	
	Current	Proposal
Disposal within 2 years after the date of acquisition	30%	30%
Disposal in 3rd year after the date of acquisition	20%	20%
Disposal in 4th year after the date of acquisition	15%	15%
Disposal in 5th year after the date of acquisition	5%	5%
Disposal in 6th year and thereafter the date of acquisition	0%	5%

■ Exemptions

The existing once a lifetime exemption entitlement will be maintained. The current exemption of RM5,000.00 will be increased to RM10,000.00 or 10% of the chargeable gain, whichever is the greater. Besides increasing the rate of exemption, transfers of real properties as gifts between parent and child, husband and wife, grandparent and grandchild will similarly be exempted from RPGT.

It was proposed that these exemptions will be effective once an exemption order is issued by the Minister of Finance sometime this year, if not, in early 2010.

On top of the exemptions cited above, the exemption order will also introduce another exemption, in the form of a formula, designed to be adopted and applied when chargeable gains are calculated next year. The formula is simply as follows:

$$\frac{A}{B} \times C$$

A = (chargeable gain x appropriate rate) – (chargeable gain x 5%)
 B = chargeable gain x appropriate rate
 C = chargeable gain

In Malaysia, property gains are taxable. This tax called real property gains tax (“RPGT”) is levied by tax authorities on gains arising from disposal of Malaysian real estate properties and shares in real property companies. The obligation to pay RPGT was imposed by the Real Property Gains Tax Act 1976 (“the Act”), with effect from 7 November 1975. The primary purpose behind the introduction of this tax was to provide for the imposition, assessment and collection of a tax on gains derived from disposals of real properties situated in Malaysia. The difference between the disposal price and the acquisition price of a chargeable gain or allowable loss as the case may be.

RPGT was temporarily waived from 1 April 2007 until recently. In disclosing the budget for the year 2010, the Malaysian Government announced the re-imposition of RPGT for chargeable gains accruing from property disposals made from 1 January 2010, onwards. The re-imposition came with significant changes to the Act. This article aims to highlight pertinent changes and their likely effect.

■ Holding Period

With the changes announced, RPGT is now payable for chargeable gains accruing from disposal of real property, irrespective of the tenure of the holding period. In essence, RPGT is now payable although the real property was disposed more than 5 years from the date of acquisition. This new provision departs from the previous position where RPGT is only payable on chargeable gains accrued from disposals that took place within five years from the date of acquisition. The chargeable rate for disposals in the 6th year and beyond is 5%. Schedule 1 will eventually be revised to insert the new rate of tax to appear as follows:

To illustrate the application of this formula and the calculation in arriving at the sum payable as RPGT, we take an example where an individual (“Mr. A”) disposes a real property in 2010 after acquiring it in 2007. The difference between the disposal price and acquisition price is a sum of RM2 million less whatever allowable loss he is entitled to for the financial year.

Applying Schedule 1, RPGT at the rate of 20% would have been levied on Mr. A’s gains and this would have amounted to a hefty sum of RM400,000.00. With the introduction of new exemptions and formula in determining the quantum of exemption, Mr. A’s RPGT will be far less than RM400,000.00. The calculation at arriving at the sum payable is found as:

Description / Chronology of Events	Minus (-)	RM
Mr. A disposed property on 30/03/2010		4,000,000.00
Mr. A acquired property on 30/05/2007	-	
Difference		2,000,000.00
Less Exemption: RM10,000.00 or 10% less	-	(200,000.00)
Chargeable gain		1,800,000.00
LESS: As per Table A above, disposal of property X is in the 3 rd year after the date of acquisition, therefore the rate of tax shall be at 20%	-	1,350,000.00
$\frac{[(1.8m \times 20\%) - (1.8m \times 5\%)]}{(1.8m \times 20\%)} \times 1.8m$		
Chargeable gain to be taxed		450,000.00
Tax payable: 450,000.00 x 20% (as per Schedule 1 above)		90,000.00

From the illustrated calculation beside, it appears that the applicable rate is only significant in computing the quantum of exemption. It seems that it does not matter when the disposal took place from the date of acquisition, the effective rate of RPGT will still be 5%. It appears as if the formula is designed by the authorities to ensure that the underlying and effective rate of RPGT for all disposals will be at all times fixed at 5% of the chargeable gain, irrespective of the year of disposal and the chargeable rate applicable.

The rest of the changes to be introduced were centred on the obligation to submit returns and the obligation of an acquirer to retain part of the purchase consideration. Come 2010, disposers and acquirers will be given up to 60 days to submit Forms CKHT 1 and CKHT 2 respectively. This new time frame departs from the previous period of 30 days. This provision seems to give the acquirer and disposer ample time to attend to the submission of the return to avoid any imposition of penalty for late submission.

The most significant change was made to the acquirer’s obligation to retain part of the purchase consideration. From next year onwards, an acquirer will be statutorily obligated to deduct and retain from the purchase consideration a sum equivalent to 2% of the purchase consideration.

Apart from retaining this sum, the acquirer is also required to pay to the Director General of Inland Revenue (“DGIR”) the sum retained within 60 days from the date of the transaction. Previously, an acquirer is required to retain a sum up to 5% of the purchase consideration and is only required to pay to the DGIR upon receipt of a written notice from the DGIR. The obligation to pay, at that time, was not automatic. Whilst the intention behind these changes is obvious, these changes also result in several consequences, which may turn out to be problematic. Amongst others, it is not known who will be





the party responsible for seeking and obtaining a refund, assuming it is allowed, if the proposed acquisition is aborted or terminated due to non compliance of conditions precedent or due to default of either party respectively.

It is trite law that when a contract is rescinded, parties are restored to their original position. Thus, it is not unusual for a disposer to bear the obligation to refund all monies paid by the acquirer if the transaction is aborted or terminated due to the default of the disposer.

Will the disposer be obligated to refund all sums paid and thereafter apply to get the money back from DGIR or a sum less the amount paid to DGIR so that the acquirer can seek a refund from DGIR? Will DGIR entertain requests for refund from payees only?

Assuming the DGIR will only entertain a request for refund from payees only, the acquirer will have to take additional steps to obtain its money back. Furthermore, the Act is silent on the time frame for refund. It may take months before the acquirer gets his money back.

In conclusion, whilst the re-imposition of the RPGT is designed to generate income for the Government, it may cause hardship to property owners which may adversely affect the property sector, both in the secondary as well as the primary market. Further, the requirement to retain and pay to DGIR part of the purchase consideration may cause a revisit of the conventional terms and conditions of a property transaction.



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ISSN 1675-9729



9 771 675 972 008

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T&P ANNOUNCEMENTS AND NEWS



TAY BENG CHAI, our Managing Partner and Head of the Corporate & Commercial Practice Group attended the LAW Annual General Meeting in Singapore from 21 – 24 October 2009.



CHANG HONG YUN, our Partner in the Corporate & Commercial Practice Group attended the international Bar Association Conference held in Madrid, Spain from 4 – 9 October 2009.



RONALD TAN, our Partner who heads the Firm's Debt Capital Markets Practice Group attended the LAW Annual General Meeting in Singapore from 21 – 24 October 2009.



LINDA WANG, our Partner in the IP & Technology Practice Group attended the Asian Patent Attorneys Association 56th & 57th Council Meetings which was held in Hong Kong on 18 – 22 November 2009. She is also the Councillor for the Malaysian Group of the Asian Patent Attorneys Association. She was identified as a leading lawyer for Malaysia in the recent rankings by the "Guide to the World's Leading Trade Mark Lawyers" and was also named as a leading individual for intellectual property in Malaysia by Chambers Asia 2009.



SU SIEW LING, our Partner in the IP & Technology Practice Group presented on the topic, "Key Considerations in E-Business Transactions and Online Contracts" at the Asia Business Forum Seminar (Effective Contracts Management) held at the Istana Hotel in Kuala Lumpur on 19 August 2009.



LEONARD YEOH, our Partner who heads the Firm's Litigation and Dispute Resolution Practice Group attended the IPBA Annual Meeting in Manila that was held from 29 April – 2 May 2009. He was recently nominated as a Leading Individual for Dispute Resolution by The Asia Pacific Legal 500 for 2009/2010.

ON BOARD



MELISSA SOON, joins the Litigation and Dispute Resolution Practice Group as an Associate. Melissa practises in the area of General Litigation.



APRIL WONG, joins the IP & Technology Practice Group. April practices in the area of Intellectual Property.



ONG SIEW YIN, joins the Litigation and Dispute Resolution Practice Group as an Associate. Siew Yin also practises in the area of General Litigation.



JASMINE ONG, joins the Litigation and Dispute Resolution Practice Group as an Associate. Jasmine practices in the area of encompass corporate and commercial dispute, debt recovery actions, probate and administration, execution and winding-up proceedings.



JACQUELINE LIM, joins the Corporate & Commercial Practice Group. Jacqueline practices in the area of corporate, commercial and financial related work.

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This publication provides a summary only of the subject matter covered and is not intended to be nor should it be relied upon as a substitute for legal or other professional advice.

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Published by

AxcelAsia Group Sdn Bhd
6th Floor, Plaza See Hoy Chan
Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 603 - 2050 1888
Fax: 603 - 2031 8618
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Printed by

Nets Printwork Sdn Bhd
58 Jalan PBS 14/4,
Taman Perindustrian
Bukit Serdang, 43300
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**HAPPY HOLIDAYS &
ALL THE BEST WISHES FOR
THE YEAR 2010!**

