



Legal TAPS



LAWS OF MALAYSIA
Act 758

Financial Services Act 2013

"With the new Act, we foresee the governing of financial market to be more stringent and transparent"

- Financial Services Act 2013
- The Application of LIFO Principle
- Review of the case of Pilecon Realty Sdn Bhd
- Protection of Industrial Articles under Copyright and Industrial Design Laws



T&P ANNOUNCEMENTS AND NEWS



TAY BENG CHAI, our Managing Partner and Head of the Corporate & Commercial Practice Group has been appointed as Vice President of the Malaysian International Chamber of Commerce and Industry. He has recently co-authored the Malaysian Chapter on the Dominance and Monopoly Review 2013. He has also attended the IPBA Annual Meeting in South Korea in April 2013.



CHANG HONG YUN, our Partner and Head of Merger & Acquisitions Practice Group has been voted a Leading Lawyer for Banking General Corporate Practice in Asialaw Leading Lawyers 2013.



DAVID LEE, our Partner and Head of Banking & Finance and Real Estate Practice Group has attended the LAW Asia Pacific Regional Meeting in India in April 2013. He was a speaker at a seminar held by SCCI in Singapore in July 2013.



LINDA WANG, our Partner and Head of the IP & Technology Practice Group has attended the IACC and INTA Annual Meeting in Dallas, USA in May 2013. She has been voted as a leading lawyer for Intellectual Property in Asialaw Leading Lawyers 2013.



SU SIEW LING, our Partner in the IP & Technology Practice Group has attended the INTA Annual Meeting in Dallas, USA in May 2013. She has been voted as a leading lawyer for Intellectual Property in Asialaw Leading Lawyers 2013.



CHEAH CHIEW LAN, our Partner in the IP & Technology Practice Group has attended the China International Trademark Festival in Dalian, China in June 2013.



LEONARD YEOH, our Partner and Head of Dispute Resolution, Employment & Industrial Relations Practice Group has attended the IPBA Annual Meeting in South Korea in April 2013.

PROMOTION



Tay & Partners is delighted to announce that Teo Wai Sum, a senior associate of its corporate and commercial team has been promoted to partner.

Wai Sum has made a significant contribution to Tay & Partners corporate and commercial team over the last ten years, with her involvement in a number of significant mergers and acquisitions for local and international clients. Her practice areas also cover equity capital markets, real estate and banking.

"Corporate transactions require a high level of legal support service, which is what I have always aimed to provide when servicing my clients. I expect nothing less from myself." says Wai Sum.

"We are delighted to announce the promotion of Wai Sum as a partner. Wai Sum has consistently put in the extra effort and gone the extra mile for our clients" says Managing Partner, Tay Beng Chai. "She is unwavering in her efforts to deliver and is a true professional."



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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.

holding companies under the Act, they will have to reduce their stakes in respective financial institutions to below 50%. It will be a major restructuring for the financial holding companies.

Under the new Act, individual shareholders will have to pare down their stakes to 10% and below. However, this will affect any acquisition of shares after the passing of the BAFIA 1989 and not applicable to any interest acquired before the enactment of BAFIA 1989.

The Act will restrict recruitments of the institution. Any appointment of chairman, directors and chief executive officer of institution will have to obtain prior approval from Bank Negara Malaysia. Fit and proper requirements are imposed on the recruitment of senior officer of the institution e.g. the chairman, directors, chief executive officer and senior officers of institution or a financial adviser's representative. Such requirements include the minimum criteria of inter alia, probity, personal integrity and reputation; competency and capability; and financial integrity. Bank Negara Malaysia has the full discretion to determine the compliance of the requirements.

Directors will have the duty to disclose to the board any direct or indirect interest in any material transaction or material arrangement. Directors have specific duties to act in good faith in the best interest of the institution; and exercise his duties with sound and independent judgement, reasonable care, skill and diligence. The Act imposed strict liability on the directors for the actions of his officers where the chairman, directors, chief executive officer and senior officers of an institution may be liable for any offence committed by its institution and employees.

Under the Act, the board of directors shall set and oversee, the implementation of business, risk, objectives and strategies for the institution; the effective design and implementation of sound internal controls, compliance and risk management; performance of senior management; transparent and reliable financial reporting; promote effective communication between the institution and Bank Negara Malaysia, and to safeguard the interest of depositors or policy owners of the institution. With such responsibilities will see stricter governance in directors' actions and decisions.

The Act will also have a major impact on insurance businesses. It has imposed a requirement for the insurance companies not to carry on both life insurance business and general insurance business. The affected insurance companies will have five years limit or any other time limit as specified by the Bank Negara Malaysia to comply with the requirements to set up separate entities to manage the operations of their life insurance business and general insurance business separately.

The Act further encourages the application of prudential standards on institution relating to inter alia, capital adequacy, liquidity, corporate governance, risk management, related party transactions, reserve funds maintenance, insurance funds and prevention of institution from being used, intentionally or unintentionally for criminal activities.

For any non-compliance of the Act will impose statutory penalties of imprisonment of up to 8 year and/or a fine of up to RM25 Million. This has increased the maximum monetary fine with an additional of RM15 Million as compared to RM10 Million in BAFIA 1989.

The Act will have a great impact on the existing financial market. This comprehensive financial safety cover will act as a solid backbone for the country's financially stable growth. It will evolve the financial system to a higher state of maturity with a hope to withstand any crisis in the future.

¹ Section 6 of the Act;

² Section 2(1) "financial group" of the Act – a financial holding company and a group of related corporations under such financial holding company primarily engaged in financial services or in other services in connection with or for the purpose of such financial services which includes at least one of the licensed person;

³ Section 2(1) "licensed person" of the Financial Services Act, 2013 – a person licensed under section 10 of the Act to carry on banking business, insurance business and investment banking business;



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The Application of LIFO Principle



Would the old employees' previous years of service be disregarded in the event of an acquisition?

It is well settled in industrial relations law that it is the prerogative of employers to organise their business in the way they consider best for economic viability and for other genuine reasons. A reorganisation of business may include the implementation of cost-cutting measures such as a retrenchment exercise. During a retrenchment exercise, the company is encouraged to adhere to provisions in the Code of Conduct of Industrial Harmony ("the Code") to avoid allegations of unfair labour practice. Clause 22(b) of the Code lays down several objective criteria for selection of staff to be retrenched, which includes inter alia, the need to take into account the length

of service of the employees. This is also known as the "last in first out" (LIFO) principle, which means that during a retrenchment exercise, employees who have been longer in service will have more security in tenure whilst those who have been in service for a shorter time, i.e. last to come will face more risks of being retrenched.

In a scenario whereby retrenchment exercise is implemented after an acquisition, issues pertaining to compliance of the LIFO principle arise as to whether the employees' years of service with the transferor company can be taken into account or in other words, does the acquisition have the effect in law of changing the actual date of employment of the employees with the transferor company? This concern was addressed in a recent judgment of the Federal Court in *Dynacraft Industries Sdn Bhd v Kamaruddin bin Kana Mohd Sharif & 6 Others*.

Facts of the case

In this case, the appellant, Dynacraft Industries Sdn Bhd ("the appellant") was a subsidiary of Malaysia Pacific Industries Berhad ("MPI"). Pursuant to a Sale and Purchase Agreement between MPI and Dynacraft Sdn Bhd ("DSB") in 1995 ("the 1995 Agreement"), MPI acquired the assets and business of DSB and transferred the same to its subsidiary, the appellant.

As a result, DSB informed its employees on 19 January 1996 that pursuant to the acquisition, their employment with DSB would cease on 20 January 1996. On the same day, letters were sent out by the appellant to offer continued employments to all employees of DSB, which included the employees in this action ("the respondents"). The respondents accepted the offers of continued employment and had subsequently worked for the appellant until they were retrenched during the economic downturn in 1998. As a result of the dismissal, the respondents filed claims for reinstatement pursuant to Section 20 of the Industrial Relations Act 1967. The Industrial Court found in the respondents' favour and held that their dismissals were without just cause and excuse on the premise that the appellant had breached the LIFO principle by ignoring the respondents' past services with DSB.

Questions of Law relating to the application of LIFO principle

The Industrial Court's decision was subsequently upheld by the High Court and Court of Appeal. This resulted in the appellant's application for leave to appeal to the Federal Court on the following issues:-

- » Whether the Industrial Court applied the LIFO principle correctly when it ruled that the period of service of the respondents with an entirely separate legal entity (DISB) should be taken into account for purposes of the application of LIFO principle instead of the actual years of service of the employees with the appellant?
- » Does an offer of employment with recognition of previous years of service with a different entity have the effect in law of changing the actual date of employment of the respondents with the appellant?

Continuity of Service

(whether there was a break in the employees' employment during the acquisition)

In relation to this issue, the Federal Court dealt with the principle of LIFO and stated that an employer effecting retrenchment should commence with the latest recruit, and progressively retrench employees higher up in the list of seniority unless there are some valid reasons to depart from the principle. The appellant submitted that it is impossible to consider the respondents' previous years of service with DSB as the appellant was not even in existence during the period, therefore, the date of commencement of employment of the respondents could only be traced back to the date of their offer letter, which was on 20 January 1996 for purposes of determining the respondents' years of service. It was also submitted that the change of ownership of DSB's business has resulted a break/ termination of respondents' employment and the employment of the respondents in two different/ separate legal entities could not be combined for the purpose of determining the continuity of employment and application of the

LIFO principle.

In dismissing the appellant's appeal with costs, the Federal Court concurred with the Industrial Court's decision after a close scrutiny on the clauses contained in the 1995 Agreement and documentary evidence submitted by the parties. On the facts, it was agreed between both parties in the 1995 Agreement that, inter alia, MPI and its subsidiaries shall offer DSB employees continuous employment on terms and conditions not less favourable in the aggregate which was at that time enjoyed by such employees, and the appellant was prohibited from adversely altering the terms of employment, or reducing the salaries or other employment benefits due to those employees within one year of the transition. The phrase "other employment benefits" were construed by the Court to mean that the 1995 Agreement include benefits that follow in tandem with seniority in terms of years of service. Therefore, the Court's view is that the appellant had bound themselves to acknowledge and to give full credit to DSB's employees during the transition. As a result, the period of employment of the respondents with DSB shall be taken into consideration in the subsequent application of LIFO principle.

Furthermore, the Court also referred to the Retrenchment Pay Out Summary issued by the appellants, in which the dates of the commencement of the respondents' employment appeared to be the dates when they were employed by DSB. In this regard, the Court is persuaded that the appellants had acknowledged the respondents' past services with DSB by stating their commencement dates with DSB.

On the issue of "identity of business", the Court held that as the employees in DSB have continued to serve the appellant's business in the same premise without changes as to their previous rights and privileges in DSB, except a change in the beneficial interest of the business entity, it is clear that the identity of the business has remained the same after the transfer and the appellant's argument in relation to the "artificial dates of employment" shall be disregarded.

It is evident that an overall consideration of these factors show there was a continuation of employment of the respondents, therefore, it is unconscionable for the appellant to renege on its initial promise to provide continuous employment to the employees of DSB.

In conclusion, the decision of the case in Dynacraft appears to have relied heavily on the facts of the case, i.e. in light of the 1995 Agreement and the manner of the transfer of business, therefore it is likely that the position of law relating to the application of LIFO principle in such circumstances may vary from case to case basis depending on the facts of the case. In this regard, as commented by the Federal Court in its judgment, the Industrial Court shall rely on its inherent power provided by Section 30(5) of the IRA to act in accordance to equity, good conscience and the substantial merits of a case without regard to technicalities and legal form in exercising its decision.



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Review of Pilecon's Case

Pilecon Realty Sdn Bhd v. Public Bank Bhd & Ors And Other Appeals

On 18 January 2013, the Federal Court made a landmark decision in *Pilecon Realty Sdn Bhd v. Public Bank Bhd & Ors And Other Appeals* [2013] 2 CLJ 893 which clearly stated that a secured creditor is not entitled to any interest in respect of its debts after the making of a winding up order against its debtor if it did not realise its security within six months from the winding up of its debtor.

1

Background facts of the case

The Respondent, Public Bank Berhad ("Bank") granted a banking facility ("Loan") to Transbay Ventures Sdn Bhd ("Transbay"). A first party charge over a piece of land held under HS(D) 256676, PTB 20214, Bandar Johor Bahru, Negeri Johor ("Property") was created on 26 June 1998 ("Charge"). The Charge provides that the prescribed interest chargeable on the loan sum shall be payable until full settlement.

Transbay subsequently defaulted in the repayment of the Loan. The Bank instituted civil suit and foreclosure proceedings simultaneously against Transbay. A judgment was entered against Transbay on 22 August 2003 and an order for sale of the Property was granted on 7 October 2003.

A winding up order was granted on 27 January 2006 against Transbay upon presentation of the winding up petition by the Bank on 7 January



2005. Subsequently, the appointed liquidators sold the Property to BSEL Waterfront ("BSEL") by way of tender exercise. Clause 6 of the Sale and Purchase Agreement entered between the liquidators and BSEL provides that the proceeds of sale of the Property would be utilized for the payment of the redemption sum to the Bank and the balance of it for distribution to other creditors of Transbay.

The Bank subsequently issued to the liquidators a redemption statement dated 31 December 2008 showing that the principal sum outstanding and the interest accrued after the date of Transbay's winding up. The Bank contended that it was entitled to charge the prescribed interest on the outstanding sum as long as its security

had not been realised.

The Appellant, Pilecon Realty Sdn Bhd ("Pilecon"), is an unsecured creditor to whom Transbay was indebted to. Pilecon disagreed with the Bank's contention and applied for directions of the court, vide a notice of motion dated 15 July 2009 ("Enclosure 155"), to determine the proper basis of calculating interest on the capital sum owed to the creditors of Transbay, the cut-off date of computation of interest and the amount of debt payable by Transbay to the Bank. Relying on Section 40(3) and 43(6) of the Bankruptcy Act 1967, Pilecon contended that the contractual interest payable by Transbay to the Bank ceased to accrue after the date of Transbay's winding up.

2

Decision of the High Court

The High Court ruled that the interest chargeable on the debts is up to the date of the filing of winding up if the Bank brings itself within the liquidation. Thus, Enclosure 155 was allowed subject to that qualification. However, the High Court found out that the Bank was outside the liquidation as it has not submitted its proof of debt to the liquidators by giving up its security. Thus, Enclosure 157 was allowed and the question raised by the liquidators was answered in affirmative by the High Court.

3

Decision of the Court of Appeal

Pilecon filed an appeal against the decision of the High Court and raised a new issue for determination of the Court of Appeal, i.e. whether Section 8(2A) of the Bankruptcy Act 1967 read with Section 291 of the Companies Act 1965 was applicable in a company liquidation situation.

The Court of Appeal had unanimously allowed Pilecon's appeal and set aside the decision of the High Court. It decided that the computation of interest is for a maximum period of six months as stated in the said Section 8(2A) and Section 8(2A) applies to bankruptcy and company winding up.

4

Questions of law to be determined by the Federal Court

The Bank filed an appeal against the decision of the Court of Appeal and raised the following questions of law:-

- i) Whether the statutory right of a chargee under the National Land Code 1965 to rely on his security to obtain full satisfaction of the indebtedness owed to him, is restricted by Section 8(2A) of the Bankruptcy Act 1967 where :

law:-

- (i) Whether a secured creditor is entitled to any interest in respect of its debts after the making of a winding up order if it does not realise its security within 6 months from the date of the winding up order.



- (a) such security is provided by a company which is later wound up under the provisions of the Companies Act 1965; and

- (b) the security was not realised within 6 months of the winding up order;

- ii) Does Section 8(2A) of the Bankruptcy Act 1976 applicable in a company liquidation situation where the secured creditor relies on his security for full satisfaction?

Pilecon filed a cross appeal against part of the decision of the Court of Appeal and raised the following question of

5

Decision of the Federal Court

In dismissing the Bank's appeal and allowing Pilecon's cross appeal with costs, the Federal Court affirmed the decision of the Court of Appeal and answered the Questions 1 and 2 posed by the Bank in affirmative. Zaleha Zahari FCJ stated as follows :

“ Thus, although a secured creditor under s.8(2) of the BA was free to deal with his security, with insertion of the sub-s(2A) into s.8, the charge must

realise their security promptly within six months of the receiving order failing which the chargee cannot claim any interest.

The provisions of the BA in relation to the debts of a bankrupt are clearly applicable to an insolvent company by virtue of ss.291(1) and 291(2) of the Companies Act.

Section 8, and in particular, sub-s(2A)

of the BA, are clear and unambiguous. In the absence of an express provision limiting its application, there is no reason to limit its application only against a bankrupt and not to wound up debtor."

The Federal Court answered the question posed by Pilecon in the negative based on the following grounds :-

"Based on our reading of s.8(2A), a

secured creditor is given a timeline of six months to sell the charged property failing which they are not entitled to interest. Since the charged property was realised some two years six months after the winding up of Transbay, the bank had failed to meet the statutory limit of six months under s.8(2A) of the BA. As such, the bank should not be entitled to any interest. The Court of Appeal had therefore erred in allowing interest for a period of six months."

Commentary

Some secured creditors do not realise their security promptly resulting in their debtors having to continue to bear interest until the date of satisfaction. Normally, interest constitutes the major part of the debts in banking litigation cases. Therefore, any delay in realising the security would unfairly expand the share of the secured creditors in their debtors' assets and therefore prejudicial to the rights of their debtors and the unsecured creditors.

To avoid itself from being caught by Section 8(2A) of the Bankruptcy Act 1967, a bank should firstly dispose of the security and apply the proceeds of sale toward repayment of the debt under its security. The proceeds of sale may be sufficient to cover the full amount due under the security and the bank will not have to prove for any shortfall amount.

If the proceeds of sale are insufficient to meet the repayment of the debt, a civil suit can thereafter be instituted against the chargor to recover the shortfall sum and the interest accrued thereon. Once a judgment is entered, winding up proceedings can then be instituted so that the bank will submit itself to liquidation of the chargor. The bank can prove for the balance amount due as of the date of winding up by filing a proof of debt. Therefore, the bank will not be deprived of the contractual interest after the realisation of the security till the date of winding up. Even if the Bank takes few years in disposing of the security, it does not lose the interest accrued on the debts provided that the debtor has yet to be wound up by other creditor upon realisation of the security. In other situation where the chargor is wound up by other creditor, the said Section 8(2A) will apply accordingly.



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Protection of Industrial Articles

under Copyright and Industrial Design Laws

The overlap between industrial design and copyright protection has given rise to often complex legal provisions aimed at reducing dual and excessive protection of an industrial article. An article is capable of protection as an artistic work as well as an industrial design. In Malaysia, the removal of copyright protection for a design that is capable of registration as an industrial design has for more than a decade led to harsh consequences.

The owner of a design who fails to register his design loses both copyright and industrial design protection as there is no unregistered design regime in Malaysia, unlike in the United Kingdom. As an industrial design must be new to be registered, most uninformed owners, particularly, Malaysian designers, would have lost protection of their rights when they expose, publish or commercialise their products without first registering the design.

The harsh consequences and the notable absence of an unregistered design protection regime have finally been addressed in the recent amendments to the Copyright Act 1987 ("CA 1987") by the Copyright (Amendment) Act 2012 ("2012 Amendment"). Copyright continues to subsist in an unregistered design as such although the duration of protection for such designs has been cut down to 25 years from the date of first marketing of the articles.

The tendency of the overlapping protection is due to the nature of designs which existence, mostly, begins in the form of drawings. Drawings, including functional or industrial design drawings, are capable of protection as an artistic work under the CA 1987. This therefore begs the question which creators and manufacturers alike often ask, "Under which regime will my design enjoy the broadest protection?"

In light of the recent Industrial Designs (Amendment) Act 2013 ("2013 Amendment") which came into force as of 1st July 2013, this article will attempt to highlight the relevant changes to the IDA 1996 and the comparative protection of industrial designs ("ID") afforded by the CA 1987 and ID 1996.

Duration of Protection

Pursuant to Section 17 of the CA 1987,

copyright in any artistic work shall subsist for the life of the author plus 50 years. However, where an artistic work has been exploited by making an industrial process or means, there will be no infringement of copyright after the end of 25 years from the end of the calendar year in which the articles are first marketed, to copy the work by making articles of any description.

The recent 2013 Amendment to the IDA 1996 confers on owners of designs a longer duration of protection and exclusivity to exploit their registered designs by extending the period of registration to 25 years. Under the previous regime, the maximum duration for protection of a registered design was 15 years except for those designs which had been registered in the United Kingdom prior to the enforcement of the IDA 1996. This renders the IDA 1996 to be in line with the maximum design registration period of the United Kingdom and European Community.

Thus, in terms of the duration of protection or exclusivity of an industrial article, there is no significant advantage of either regime although if marketing of the articles is delayed, copyright protection may be longer since the design application has to be lodged prior to disclosure and thus marketing of the product, resulting in an earlier date upon which the 25 year period is calculated.

Requirement for Protection: Novelty of the Design and Originality of an Artistic Work

Prior to the 2013 Amendment, an industrial design is not considered new if the design was disclosed to the public anywhere in Malaysia or it was the subject matter of another application for registration of an industrial design, having an earlier priority date, filed in Malaysia. The 2013 Amendment amends the novelty requirement of an ID under Section 12(2) (a) IDA 1996 to that of a worldwide novelty, that is, an industrial design is not considered new if the design was disclosed to the public anywhere around the world as opposed to disclosure only in Malaysia.

Whilst the amendment renders it more



challenging for local designers who are used to local novelty requirements in the past, the protection afforded to foreign designers will be on par with international standards.

Under copyright law, the fundamental requirement for protection is that the work must be original in that the work must not be copied. The test of originality under the copyright law is of a lower threshold as compared to an industrial design where novelty is a prerequisite. Copyright protection is afforded if sufficient labour, skill and effort have been expended in creating the work.

Requirements of Registration

As mentioned earlier, there is no unregistered design regime in Malaysia. Protection is therefore afforded only to industrial designs that are registered whereby exclusive rights in the design are conferred on the registered owner. Registration of industrial designs also serves as proof of ownership which will ease enforcement in that the validity of the registration is sufficient proof of ownership of the registered design.

Copyright, on the other hand, subsists irrespective of whether the design is registered and it was not until the recent 2012 amendments to the Copyright Act 1987 that voluntary notification was introduced in Malaysia. Similar to affidavit evidence or statutory declaration made pursuant to Section 42 of the Copyright Act 1987, voluntary notification of copyright in the Register of Copyright is prima facie evidence of the particulars entered in the register and is admissible in court. Notwithstanding the option of voluntary notification, the benefit of not requiring registration in a copyright remains attractive as it saves cost (registration and maintenance on the Register) and copyright continues to subsist without the need for renewal.

Scope of Protection – Design Infringement vs Copyright Infringement

Section 32(2) Industrial Design 1996 provides that infringement of industrial design arises if, without the license or consent of the registered owner, a person applies the industrial design or any fraudulent or obvious imitation of it to any article; or imports into Malaysia for sale, for use in trade or business any article to which the industrial design or any fraudulent or obvious imitation of it has been applied outside Malaysia.

It is particularly noteworthy that infringement of an industrial design is one of strict liability and therefore there is no need to prove the infringer's state of mind. Secondly, it must be established that the article complained of embodies the registered design or any fraudulent or obvious imitation of it. This is essentially a question of fact whether the articles complained of embodies a design not substantially different from the registered design.

Thirdly, it must be established that the industrial design is applied to an article in respect of which the industrial design is registered; the infringing act of importing into Malaysia for trade purposes under Section 32(2)(b) however does not require that the article must be of the type to which the industrial design is registered.

As for infringement of copyright, section 36 of the CA 1987 provides that the copyright in a work is infringed when a person other than the copyright owner, does or authorises the reproduction in any material form the whole work or a substantial part of it or imports any article into Malaysia for the purposes of trade or financial gain, when the person knows or ought reasonably to know that the making of the article was done without the consent or licence of the copyright owner.

To establish infringement, first, it must be proved that there is sufficient objective similarity between the infringing work and the copyright work; and secondly, there must be causal connection between the copyright work and the infringing work. There is no infringement if the work shares similarity with the copyright work when

in fact, the former is an independent work that is not copied from the copyright work. Further, unlike the test of substantial similarity in industrial design, the similarity in the context of copyright infringement is to be judged qualitatively, as opposed to quantitatively. Thus, one has to address the mind to the significant features from a qualitative aspect of the original work and whether those features have been copied or substantially reproduced in the infringing work.

Remedies for Infringement

Section 35 of the IDA 1996 provides that the Court may award damages or an account of profits and may grant an injunction to prevent further infringement and any other relief deemed fit if the owner of a registered ID proves that an infringement has been committed, is being committed or if it can be proved that such acts are being performed which make it likely that an infringement will occur.

Aimed to encourage recordal of entitlements, the 2013 Amendment makes claims for infringement of ID stricter - section 35(4) of the amended IDA 1996 requires that owners of a registered design who becomes entitled to the design by way of assignment or transmission to record his title or interest within a period of time lest the Court shall refuse to award costs.

As for copyright infringement, the Court may grant reliefs such as an order for injunction, damages, account of profits or any other order as the court deems fit. The 2012 Amendment to CA 1987 introduces the award of statutory damage for a maximum of RM25,000 for each work and a maximum of RM500,000 in the aggregate.

Apart from civil remedies, certain acts of copyright infringement are also criminal in nature thus providing the copyright owner with criminal remedies by enlisting the assistance of the Enforcement Division of the Ministry of Trade, Co-operatives and Consumerism to conduct raid and investigation into copyright offences. The penalties imposed include fines and imprisonment.

Copyright Act or Industrial Designs Act?

There are obvious advantages and benefits of copyright protection, as there also attendant benefits with industrial design protection. The owner must elect which regime it chooses to go under. The decision will very much depend on various factors such as product life cycle, the target market of the articles, whether the design is easily copied, whether infringement can be proved easily and the need to monetise one's right.

Copyright protection is attractive as there is no requirement for compulsory registration - protection under the CA 1987 is automatic and immediate so long as the requirements of a copyright are satisfied. Coupled with the low threshold of a work to qualify for protection and the potential longer term of protection offered by CA 1987, protection under the copyright law may generally be more attractive than a registered design. The availability of statutory damages and criminal remedies further fortify the strength of copyright protection over that of a registered design.

However, without a system of registration, proof of ownership and creation of a work may be problematic especially in light of competing claims. Also, to establish copyright infringement, there is a further need to establish causal connection and copying, both of which are not prerequisite to an infringement of a registered design.

On the other hand, registration of an industrial design under the IDA 1996 confers a presumption of validity and ownership of the design on the owners. It also allows owners to officially record and document a commercial asset. In light of the 2013 Amendment to IDA 1996 which further clarifies and recognises the rights of ID owners as personal property, a registered ID may be monetised and collateralised.

Thus, it is imperative to weigh all the factors before deciding which regime of protection best serves the legal and commercial interests of the IP owner. With the recent amendments to both the copyright and industrial design laws, IP owners now have real options of protection.



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Tay & Partners recently worked together with Project MADE and sponsored the Burmese Refugee Feeding Programme at the United Learning Centre (“ULC”). It is a volunteer driven centre aimed at providing education to children of Burmese refugees and to prepare them for resettlement in a third country. Located behind Imbi road and the busy area of Bukit Bintang, ULC runs solely on public contribution. Currently over 100 children are attending classes at ULC.




A team of 19 staffs and their families from Tay & Partners recently brought together with them food

parcels to the ULC. The food parcels comprised of rice, meehoon, sugar, soya sauce, oyster sauce, sardines, eggs, Milo, tea, biscuits, fresh vegetables and fresh meats. Tay & Partners also donated much needed cooking ingredients and food to 15 single moms, milk for lactating moms and pre-loved clothes and toys to children. The event ended with a Tay & Partners sponsored lunch comprising of chicken rice and cup cakes and the children were each treated with a Tay & Partners goodie bag consisting of toothbrush and toothpaste, nutritional snacks, stationery and toys.



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