



TAY & PARTNERS

• Advocates & Solicitors • Registered Trade Mark, Patent & Industrial Design Agents •

Legal TAPS

DECEMBER 2023 ISSUE

“Can I Take Along Confidential Information When Leaving My Job?” - New Perspectives On The Law Of Confidentiality

by Leonard Yeoh & Chen Mei Yan

Non-Use Revocation and Trademark Survival

by Ng Kim Poh & Veronnie Thu

Directors’ remuneration and directors’ service contracts: Legal Requirements in Malaysia

by Wong Mei Ying & Trisha Lim

CONTENT

02 "Can I Take Along Confidential Information When Leaving My Job?" - New Perspectives On The Law Of Confidentiality

by Leonard Yeoh & Chen Mei Yan



05 Non-Use Revocation and Trademark Survival

by Ng Kim Poh & Veronnie Thu



09 Directors' remuneration and directors' service contracts: Legal Requirements in Malaysia

by Wong Mei Ying & Trisha Lim



Editorial Committee

- Leonard Yeoh
- Ng Kim Poh
- Wong Mei Ying



Image by PressFoto on Freepik

“Can I Take Along Confidential Information When Leaving My Job?”- New Perspectives On The Law Of Confidentiality

In this age of information, companies often face vulnerability to the theft of confidential information, which is usually entrusted to senior personnel. Striking a balance between protecting the employer's interests and an employee's right to seek employment in similar industry with gained knowledge and experience from previous employment is a persistent challenge.

In the recent Court of Appeal decision in **Karen Yap Chew Ling v Binary Group Services Bhd** [2023] 4 MLJ 792, Lee Swee Seng, Abu Bakar Jais, and Nordin Hassan JJCA delved into the employees' duties concerning confidential information.

BACKGROUND FACTS

The employee, employed by the company since 2007, abruptly resigned in February 2019, citing a move to a different industry. However, in September 2019, it was discovered that the employee had joined the company's rival. Crucially, a digital forensic investigation exposed the employee's wholesale copying of the company's sensitive database to her own storage and the employee's forwarding of work emails to her personal email account.

In response, the company filed a lawsuit against the employee alleging, among others, breach of confidence.

The High Court ruled in favour of the company and held the employee to be liable. Dissatisfied, the employee appealed to the Court of Appeal, amongst others, against the finding of liability. Eventually, the Court of Appeal affirmed the liability of the employee.

There was a breach of confidence.

The law is trite that to succeed in an action for breach of confidence, the company must establish the following three conditions propounded by Megarry J. in **Coco v AN Clark (Engineers) Ltd.** [1969] RPC 41 ("**Coco test**"):

- (a) The information sought to be protected by the company is confidential information;
- (b) this information was communicated in circumstances importing an obligation of confidence; and
- (c) there must be an unauthorised use of this information to the company's detriment.

The Court began its comprehensive analysis of the breach of confidence with the employee's employment contract, which explicitly outlined her duty to observe strict confidentiality during and after the termination of the employment contract. Besides, the employee was a fiduciary as the Head of Marketing and senior personnel being entrusted with the company's confidential information¹.

Although the employee argued that the company had not sufficiently particularised the confidential information², the Court disagreed. The Court recognised that there could be many expressions of confidential information in the business context, including but not limited to a list of customers and their details, schedules of information, technology and trade secret³. Since the employee did not state that she had any problem identifying the confidential information nor raised any allegation that the confidential information was vague to the extent

that the injunction could not be complied with⁴, the Court was satisfied that sufficient particulars had been disclosed for the Court to determine if the information is confidential in nature. Notably, the Court set out the following hypothetical question⁵:

[72] Karen Yap only needed to ask the hypothetical question: 'Would the company give me permission to copy and keep this information for my own use for the benefit of a competitor that I would soon be joining?'. To ask such a question would be to ask the obvious! These are not materials in the public domain, and they have been collected, collated, and curated over a course of time and would clearly be of substantial interest and value to a competitor.

Accordingly, the first two conditions in Coco test were satisfied. The Court referred to a Singapore decision in *I-Admin (Singapore) Pte Ltd v Hong Ying Ting and others* [2020] SGCA 32; 1 SLR 1130. In the *I-Admin* case, the Singapore Court of Appeal propounded a modified approach to the Coco test: once the plaintiff had satisfied the first two conditions in Coco test, an action for breach of confidence was presumed, and the evidential burden shifted to the defendant to rebut and refute. Therefore, there is already a breach of confidential information by unlawfully accessing and storing it so that one may have ready access to it and deploy it whenever one needs it.

It was noted that the employee pleaded in her Defence that she forwarded the work emails to herself in order to perform work assigned by the company. However, given the evidence provided by the company, including the type of information transferred by the employee and the extent and manner in which the employee transferred the confidential information, the Court held that the employee was liable for breach of confidence. Her unlawful copying and accessing of confidential information alone violated the company's rights, such that a case for exemplary damages may be established.

¹ *Karen Yap Chew Ling v Binary Group Services Bhd* [2023] 4 MLJ 792, para. [45]

² *Ibid*, para. [50]

³ *Ibid*, para. [69]; *Schmidt Scientific Sdn Bhd v Ong Han Suan* [1997] 5 MLJ 632. See *Karen Yap Chew*

⁴ *Ling v Binary Group Services Bhd* [2023] 4 MLJ 792, para. [55] for a summary of cases which explained what categories of information identifiable as confidential information depends on the case facts.

⁵ *Ibid*, paras. [61] and [62]

⁶ *Ibid*, para. [72]



Image by creativeart on Freepik

KEY TAKEAWAYS

This case offers valuable insights into the complexities of safeguarding confidential information in the modern business landscape in the Information Age.

In this case, we observe the importance of a meticulously drafted employment contract regarding confidential information. The employers are advised to carefully craft the employees' obligations of confidentiality during and after the termination of employment.

The decision also serves as a stern warning to employees attempting to store or misappropriate the employer's confidential information without authorisation for improper use. As Lee Swee Seng JCA warns, "We live in days where all of us who use the internet will leave behind our digital footprints. There is no email sent, document saved, or file copied that cannot be traced by forensic IT experts."

The Court's hypothetical question on confidential information suggests that employees nowadays should be more sensitive and careful in handling the information obtained during employment. This is especially critical for those employees who are part of senior management, as it is less likely for them to argue ignorance of the competitive value of this information.

REFERENCE TO THE SINGAPOREAN AUTHORITY

Prior to this decision, the law on breach of confidence was trite in Malaysia as set out by the Federal Court in *Dynacast (Melaka) Sdn Bhd & Ors v Vision Cast Sdn Bhd & Anor* [2016] 3 MLJ 417, that the plaintiffs must satisfy all three conditions in *Coco* to establish a breach of confidence.

However, the reference made to the *I-Admin* case decided by Singapore seems to suggest a move by the Malaysian judiciary to the modified approach of putting the burden on the defendants to prove their conscience. As one can observe, the Court held that there was quality of confidence since the employee did not plead ignorance and cluelessness about the company's confidential information to refute the company's allegation. Such a modified approach appears to be beneficial to the employers, for it has addressed the difficulties faced by employers, who are often unaware of the breach until years later.

In conclusion, this case shapes the legal landscape of confidentiality, providing insights that resonate in today's technology-driven employment environment.



LEONARD YEOH

Partner, Head of Dispute Resolution and Employment & Industrial Relations Practice Groups
leonard.yeoh@taypartners.com.my



CHEN MEI YAN

Associate
meiyan.chen@taypartners.com.my

For further information and advice on this article and/or on any areas of Dispute Resolution and Employment & Industrial Relations, please contact Leonard Yeoh at leonard.yeoh@taypartners.com.my



Image by Freepik on Freepik

Non-Use Revocation and Trademark Survival

INTRODUCTION

Over the years, there has been growing awareness among individuals and businesses in Malaysia regarding the importance of safeguarding their trademarks. A considerable amount of time, effort, and financial resources would have been invested in obtaining a trademark registration, which confers certain exclusive rights to the registered trademark owner, including the right to use and authorise others to use the trademark, as well as the right to obtain relief for trademark infringement.

However, it is crucial to note that the achievement of obtaining a trademark registration marks only the beginning of the journey. Failure by a trademark owner to actively use its registered trademark leaves it vulnerable to the risk of non-use revocation.

GROUNDINGS FOR NON-USE REVOCATION

Under the Trademarks Act 2019 (“Act”), any aggrieved person may apply to the court to revoke registration of a trademark based on the following grounds under Section 46(1) of the Act:

- (a) where the trademark, for no proper reason, has not been used in good faith in Malaysia in relation to the goods or services for which it is registered for a period of three years from the issuance of notification of registration;
- (b) where the use of goods or services under paragraph (a) above, for no proper reasons, has been suspended for an uninterrupted period of three years;
- (c) where the trademark has become a common

name in the trade for the product or service for which it is registered due to the owner's acts or inactivity; or

(d) where in consequence of the use of the trademark by the registered proprietor or with his consent, the trademark is liable to mislead the public, including in respect of the nature, quality, or geographical origin of those goods or services.

The remaining provisions under Section 46 of the Act set out the following qualifications:

(i) that a trademark registration shall not be revoked on the ground under item (a) or item (b) above if use has begun or resumed after the expiry of the three-year period and before application for revocation is made;

(ii) however, if such use falls within the period of three months before the application for revocation is filed, it will be disregarded unless preparations of such use began before the proprietor became aware that the application for revocation might be made;

(iii) where grounds for revocation exist in respect of only some of the goods or services, the revocation will relate to those goods or services only; and

(iv) where a trademark is revoked to any extent, the rights of the registered proprietor will be deemed to have ceased to that extent as from the date of the revocation application or the date on which the court is satisfied that the grounds for revocation exist, whichever is earlier.

This article focuses on the grounds of (a) non-use for a period of three years and (b) suspended use for a period of three years, which is effectively a subset of non-use.

PLAINTIFF'S BURDEN OF PROOF

As can be distilled from the above, in order to substantiate a non-use revocation action in court, the plaintiff has to show the following:

(a) that the plaintiff is an "aggrieved person"; and

Based on Malaysian authorities, an aggrieved person is defined as a person who has used, or has a



genuine and present intention to use, in the course of trade, a trademark which is the same or similar to the registered trademark that he or she wants to be revoked.

(b) that there is a prima facie case of non-use either by the registered owner or with its consent for no proper reasons for an uninterrupted period of three years.

This initial burden is to be proven by the plaintiff (aggrieved person). Once this burden is discharged, the burden shifts to the defendant (registered owner) to show evidence of use during the material period of time.

IN PRACTICE, HOW DOES A PLAINTIFF PROVE NON-USE?

The evidence of non-use is required to be submitted at the institution of non-use revocation action at the High Court. To procure such evidence to discharge a plaintiff's initial burden, an intended plaintiff may take the following actions: -



Image by Freepik on Freepik

- (a) conduct online preliminary investigation;
- (b) conduct offline/ in-depth preliminary investigation; and
- (c) conduct market survey,

to determine whether there is use of the registered trademark in Malaysia.

(a) Online Preliminary Investigation

Online preliminary investigation may be conducted by private investigators, and it involves comprehensive background checks on the registered owner and its registered trademark through local public domains or databases. This may include, but is not limited to, examining company and business names, local directories, industry inquiries, media checks with prominent newspapers' companies, and domain name verification.

Furthermore, the private investigators should search for the availability of websites and social media accounts selling goods or providing services featuring the registered trademark, if any, in order to check

whether there has been use of the trademark on the relevant goods or services. These online searches will assist the private investigators in locating the address(es) of the registered owner, which will lead to an offline investigation, where necessary.

(b) Offline/ In-depth Preliminary Investigation

If the online preliminary investigation above does not reveal use of the registered trademark, the private investigators should investigate further to determine whether the registered owner or another party, with its consent, offers or sells the relevant goods or services bearing the registered trademark. This may be done by making visits to the premises of the registered owner in order to capture photos of their outlet visits, purchase sample products with receipts, obtain leaflets, brochures, and catalogues of goods or services bearing the registered trademark (where possible), as well as check whether these goods or services are currently being sold or offered.

In the event the private investigators obtain evidence (whether oral or otherwise), especially if the evidence comes from the registered owner's side (for e.g., sales representative, manager, or senior personnel of the registered owner), during online or offline investigation, that there is no use of the registered trademark on the relevant goods or services in Malaysia by the registered owner or with its consent, this may be relied upon as prima facie evidence of non-use.

(c) Market Survey

If the online and/or offline investigations do not disclose use of the registered trademark in Malaysia and there is no affirmation of non-use provided by the registered owner, the intended plaintiff may wish to conduct a market survey (preferably covering the major cities around Malaysia, including Sabah and Sarawak) to determine whether there is use of the registered trademark.

The private investigators should conduct the survey on operators and/or persons in charge of the registered owner's retail outlets in the locations found, if any. A survey may also be conducted at shopping malls and supermarkets. A market survey



Image by Freepik on Freepik

may be conducted by way of questionnaires and/or interviews. The private investigators should try to get name cards of these persons, photos of the outlets, and photos of the goods or services bearing the registered trademark (if any).

An intended plaintiff who wishes to rely on a market survey to establish a prima facie case of non-use ought to be aware of the minimum criteria or requirements widely known as the “Whitford Guidelines”, which were originally laid down by the English High Court in *Imperial Group PLC & Another v Philip Morris Limited & Another* [1984] RPC 293 and have since been judicially recognised and applied by the Malaysian Courts. Failure to comply with them may lead to the court attaching less weight to or totally disregarding the result of a market survey.

CONSEQUENCE OF NON-USE REVOCATION

If a plaintiff is able to prove that he or she is an aggrieved person and the court is satisfied that there is a prima facie case of non-use which the registered proprietor (defendant) fails to rebut, the plaintiff’s action for non-use revocation will succeed, unless the registered proprietor is able to establish that the non-use is due to a “proper” reason.

It is indeed a significant setback for a registered proprietor if the registration of its trademark is revoked by the court due to non-use. The rights as a trademark owner will be considered to have ceased from the date of the revocation application or, if proven that grounds for revocation existed earlier, from that earlier date. Consequently, the trademark owner loses its rights to the trademark, for which considerable dedication might have been invested in securing its registration.

CONCLUSION

In conclusion, it is imperative for trademark owners to ensure consistent use of their registered trademarks on the goods and/or services for which the trademarks are registered to prevent the possibility of revocation due to non-use. Additionally, it is advisable for trademark owners to maintain documented evidence of their trademark use and promotion to serve as a protective measure to demonstrate use in the event of a non-use revocation action.



NG KIM POH
Partner
kimpoh.ng@taypartners.com.my



VERONNIE THU
Associate
veronnie.thu@taypartners.com.my

For further information and advice on this article and/or on any areas of trademark and/or intellectual property law, please contact Ng Kim Poh at kimpoh.ng@taypartners.com.my



Image by Freepik on Freepik

Directors' Remuneration and Directors' Service Contracts: Legal Requirements in Malaysia

In Malaysia, the payment of directors' fees and benefits and directors' service contracts are subject to certain legal requirements, which will be explored in this article. Failure to comply with these legal requirements may result in legal sanctions, as seen in the case set out at the end of this article.

No Directors' Remuneration unless Provided in Constitution or Approved by Shareholders

The High Court in *Wong See Yaw & Anor v. Bright Packaging Industry Bhd*¹ ("**Wong See Yaw Case**") held that it is a well-established common law rule that directors of a company are not allowed to expend on the funds of the company to pay any directors, unless the company's constitution confers the authority on the directors for such purpose or the payment is authorised by the members of the company.

This rule on directors' remuneration arises from the principle that a director has fiduciary duties to the company he serves, which include the duty to act in good faith in the best interest of the company and the prohibition against improper use of the company's property, position, corporate opportunity, or competing with the company. Directors would be infringing their role as fiduciaries and violating statutory requirements if they remunerate themselves in the absence of provisions in the constitution or authorisation by shareholders, thus risking penalties. Neither is the fact that a person is a director of a company in itself make that person an employee, which would otherwise entitle him to remuneration as an employee.

Approval Required for Directors' Fees and Benefits for Private Companies

In the case of a private company, its board of directors ("**Board**") may, subject to the constitution, approve the fees of the directors and any benefits payable to the directors, as provided under Section 230(2) of the Companies Act 2016 ("**CA 2016**"). Any such Board's approval must be recorded in

¹ [2016] 6 CLJ 465

the minutes of the directors' meeting, and the Board must notify the shareholders of the approval of the fees within 14 days from the date of the approval, as required under Section 230(3) of the CA 2016. Contravention of Section 230(3) is an offence for which, upon conviction, the company and its officers will be liable to a fine not exceeding RM250,000.

Members who hold at least 10% of the total voting rights and who consider the payment of fees and benefits payable to the directors was not fair to the company may require the company to pass a resolution to approve the payment, either by way of a written resolution or at a general meeting, within 30 days after they have knowledge of such payments.²

The payment constitutes a debt due by the director to the company unless an approval has been obtained through a resolution passed under Section 230(4) of the CA 2016.³

The court in the case of *Tan Tung Kwok Ors v Lau Kah Hing*⁴ held that although Section 230(2) of the CA 2016 allows for the board of directors of a private company to approve the directors' fees and benefits, such approval is still subject to the company's constitution.

Approval Required for Directors' Fees and Benefits for Listed and Unlisted Public Company

In respect of a public company (whether listed or not) and the subsidiaries of a listed company, the fees of directors and benefits payable to their directors must be approved at a general meeting, as required under Section 230(1) of the CA 2016. Contravention of Section 230(1) is an offence, and a company shall, on conviction, be liable to a fine not exceeding RM3 million, and any payment in contravention of the provision constitutes a debt due by the director to the company.

In respect of a corporation listed on the Main Market or ACE Market of Bursa Malaysia, its constitution must provide that:

² Section 230(4), CA 2016

³ Section 230 (5), CA 2016

⁴ [2019] 1 LNS 891



Image by nuraghies on Freepik

(a) The fees payable to non-executive directors must be a fixed sum and not a commission on or percentage of profits or turnover. In respect of executive directors, their salaries must not include a commission or percentage of turnover, as stated in Paragraph 7.23 of the Main Market Listing Requirements and Rule 7.23 of the ACE Market Listing Requirements ("**Listing Requirements**").

(b) Directors' fees and benefits payable to directors are subject to annual shareholder approval at a general meeting, as provided under Paragraph 7.24 of the Main Market Listing Requirements and Rule 7.24 of the ACE Market Listing Requirements.

Director's Service Contract for a Public Company or its Subsidiaries

Generally, there is no legal requirement for a company to enter into director's service contracts with its directors.

A director's service contract in relation to a public company means a contract under which (a) a director of the public company undertakes personally to perform services, as a director or otherwise, for the public company or for a subsidiary of the public company; or (b) services that a director of the public company undertakes personally to perform as a director or otherwise are made available by a third party to the public company or to a subsidiary of the public company.⁵

⁵ Section 231(1) of the CA 2016

However, if a public company or its subsidiaries enter director's service contracts with their directors, Section 232(1) of the CA 2016 requires a public company to keep and maintain a copy of every director's service contract available for inspection.

All the copies of contracts shall be kept available for inspection at the registered office of the company⁶ and shall be made available for inspection for at least one year from the date of termination or expiry of the contract.⁷ Failure to do so is an offence, and the company and every of its officers who is in contravention will, on conviction, be liable to a fine not exceeding RM1,000,000 upon conviction.⁸

The company shall give notice to the Registrar of Companies (a) of the place at which the copies of the contracts are kept available for inspection; and (b) of any change in that place, unless the copies of the contracts have at all times been kept at the registered office of the company⁹. The same is also applicable to a variation of a director's service contract¹⁰.

Case under the CA 2016

The Companies Commission of Malaysia had charged NWP Holdings Berhad ("**NWP**") for infringing Section 230(1)(b) of the CA 2016 by failing to obtain its shareholders' approval at the annual general meeting for the directors' fees paid for the fiscal year ended 31 August 2017 and 31 August 2018. Notwithstanding the shareholders subsequently ratified the payment of directors' fees for the years 2017 and 2018 during the extraordinary general meeting held on 17 December 2020.

On 22 April 2022, NWP announced in a filing with Bursa Malaysia that the charges against NWP had been compounded and the compounds had been fully paid by NWP. The Sessions Court Judge had subsequently ordered that NWP be acquitted and discharged.

Key Takeaways

1. Payment of remuneration to directors must be provided in the constitution of the company or authorised by shareholders.
2. In respect of a private company (which is not a subsidiary of a listed company), directors' approval is required for the fees of the directors and any benefits payable to the directors. The Board's approval must be recorded in the minutes of the directors' meeting, and the Board must notify the shareholders of the approval of the fees within 14 days of the date of the approval.
3. In respect of a public company (whether listed or not) and the subsidiaries of a listed company, shareholders' approval at a general meeting is required for the fees of directors and benefits payable to their directors.
4. If a public company or its subsidiaries enter into director's service contracts with their directors, the company must keep and maintain a copy of every director's service contract available for inspection.

This article is authored by our Partner, Ms. Wong Mei Ying, and Associate, Ms Lim Jia Wen (Trisha). The information in this article is intended only to provide general information and does not constitute any legal opinion or professional advice.



WONG MEI YING
Partner
meiying.wong@taypartners.com.my



TRISHA LIM
Associate
trisha.lim@taypartners.com.my

For further information and advice on this article and/or on any areas of M&A, please contact Wong Mei Ying at meiying.wong@taypartners.com.my

⁶ Section 232(2) of the CA 2016

⁷ Section 232(3) of the CA 2016

⁸ Section 232(5) of the CA 2016

⁹ Section 232 (4) of the CA 2016

¹⁰ Section 232(6) of the CA 2016