

**IP innovation on the horizon**

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*Dave A Wyatt*

# *Yearbook* **2020**

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# IP innovation on the horizon

By Dave A Wyatt, Henry Goh & Co Sdn Bhd

Malaysia is a unique country in Southeast Asia, with an economy that is as diverse as its multi-racial, multi-cultural and multi-lingual community of 32 million people. Its natural resources include tin, petroleum, palm oil, timber, copper, iron ore, natural gas and bauxite. While Malaysia's economy was originally built on the export of commodities and manufactured goods (particularly oil and gas, palm oil and electronics), the country is in the midst of a transition to develop more high-technology, knowledge-based industries and services. The services sector makes an increasing contribution to gross domestic product, including healthcare, tourism, insurance and finance.

The country is widely recognised as having a business-friendly environment for both foreign investors and local entrepreneurs. Among the attractions are good infrastructure, an educated workforce and a low risk from natural disasters. English is widely used as the business language in the private sector, which is advantageous in dealing with major trading partners.

According to Bloomberg's 2019 Innovation Index, Malaysia is the 26th most innovative country in the world. The index assesses more than 200 countries based on metrics such as R&D spending, manufacturing capability and concentration of high-tech public companies. Apart from Singapore, which is ranked in 6th place, Malaysia is the highest ranked Association of Southeast Asian Nations (ASEAN) country, with its nearest neighbour Thailand in 40th position. In the Global Competitiveness Report 2018, published by the World Economic Forum, Malaysia is ranked 25th. Again, the second highest ranking for an ASEAN country after Singapore.

The good business environment is further backed up by a modern set of World Trade Organisation-compliant IP laws, an increasingly efficient administration by the Intellectual Property Corporation of Malaysia (MyIPO) and an adversarial court system based closely on the British model. The establishment of an IP High Court in the capital Kuala Lumpur has significantly improved turnaround times of litigation cases. The developing case law is starting to shape prosecution practice.

## Application and registration statistics

The application and registration numbers for patents, designs and trademarks in Malaysia over the past five years are healthy (see Tables 1 to 3). The number of patents granted in 2017 exceeded 5,000 for the first time, and trademark applications and registrations exhibit relentless growth. There is steady and continued strong interest in Malaysia from overseas, albeit with many large corporate applicants focused more on quality than quantity of applications when it comes to patent filing. Industrial design applications undergo only formal examination, with more than 85% of filings to date having proceeded to registration.

## Law and practice updates

### New patent prosecution highway

The past few years have been quiet on the statutory front for Malaysian patents and designs, with no legislative changes. The most significant practice change was the opening of a new patent prosecution highway (PPH) pilot programme with the China National Intellectual Property Administration (CNIPA) on 1 July 2018.

**TABLE 1. Patents**

Year	Application	Registration
2014	7760	2762
2015	7907	2908
2016	7395	3353
2017	7278	5127
2018	7493	4382

**TABLE 2. Industrial designs**

Year	Application	Registration
2014	1882	1891
2015	1762	1301
2016	1630	1900
2017	1814	1379
2018	1845	1475

**TABLE 3. Trademarks**

Year	Application	Registration
2014	34571	27428
2015	35923	28800
2016	39107	32806
2017	41093	33225
2018	43656	34566

The PPH is an available option to expedite prosecution of Malaysian patent applications. With this latest addition, MyIPO now has PPH agreements with three foreign patent offices: the Japan Patent Office (JPO), the European Patent Office (EPO) and the CNIPA.

Under the PPH, a patent applicant may request accelerated examination by MyIPO based on favourable examination results of a corresponding application by the JPO, EPO or CNIPA.

After the PPH request is filed, MyIPO will review the request and issue a decision within two weeks to accept or reject the request. If accepted, the Malaysian application will be allocated to an examiner for examination. Any office action will be issued within three months. The applicant must respond within two months. Provided that the application as filed with the PPH request, or as amended in response to the office action, meets all requirements, the application will proceed

to grant. A final decision on grant should be obtainable within six months of submitting the PPH request.

Apart from these three PPH programmes, the options for applicants seeking to expedite prosecution of their patent applications include modified examination, ASEAN patent examination cooperation and expedited examination. The wide range of options is showing good results, based on the higher numbers of patents granted by MyIPO in recent years.

### **Trademarks Bill 2019 and accession to Madrid Protocol**

Major changes are on the horizon for trademark owners. The Trademarks Bill 2019 completed its first reading in the Dewan Rakyat, the lower house of Malaysia's Parliament, in April 2019, with a second reading in July 2019. It is expected to become law in late 2019. Following that, Malaysia's long-awaited accession to the Madrid

Protocol on the International Registration of Marks is anticipated to occur in 2020.

The new Trademark Law is a complete revamp and modernisation of the current Trademarks Act 1976. It includes an expanded scope of subject matters that can be registered as trademarks (eg, sounds and three-dimensional marks). There are also provisions for collective marks, multi-class applications, division and merger of applications and registrations, remedies for groundless threats of infringement proceedings, as well as criminal enforcement procedures.

Membership of the Madrid Protocol will afford foreign applicants a simplified route to filing, registering and renewing trademarks in Malaysia. For local trademarks owners, it will streamline the process of securing registration overseas.

### IPOnline2U

In mid-November 2018, MyIPO's online filing system was shut down temporarily. A month later a brand new online platform, IPOnline2U, was quietly introduced. The previous online filing system was essentially a one-way process for agents to file applications and other prosecution documents. The new system is geared towards two-way communication of information and documents that requires users to actively monitor their inboxes and download items such as office actions and other communications.

The new platform shows promise in terms of speed and functionality, although at the time of writing a laundry list of things need fixing from the perspective of professional representatives. Overall, IPOnline2U will speed up the process of prosecuting IP rights and make it easier to check on the progress of pending applications and oppositions. For example, the issuance of patent certificates in purely digital format is starting to be implemented.

### Case law

Malaysian courts at all levels have continued to churn out decisions on IP matters at an impressive pace. There has been a notable uptick in patent litigation in the past decade. Although the landscape still tends to be dominated by disputes among local entities, the development of case law will shape future prosecution and litigation practice.

In *Merck Sharp & Dohme v Hovid Bhd*, the Kuala Lumpur IP High Court determined that second medical-use claims of the so-called 'Swiss type' were patentable in Malaysia and did not



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Dave A Wyatt is a registered Malaysian patent, industrial design and trademark agent. Before joining Henry Goh, he worked in private practice with leading patent attorney firms in London and Munich and qualified as a European patent attorney. He has lectured on patent practice and drafting for the Malaysian patent agent examinations. Since 2006 he has appeared before the High Court of Malaya as an expert witness. As a leading authority on patents and industrial design in Malaysia, Mr Wyatt has been cited as a recognised individual for patent prosecution work in *IAM 1000 – The World's Leading Patent Practitioners* and as an IP Star by *Managing Intellectual Property*.

fall under the exclusion for methods of medical treatment. This decision is a welcome affirmation of existing official practice. The ruling was upheld on appeal.

In *Fukuyama Automation Sdn Bhd v Xin Xin Engineering Sdn Bhd*, an assignment in favour of the plaintiff as patent owner was scrutinised by the Shah Alam High Court. It was found to be a manufacturing licence that did not actually transfer ownership of the patent. The fact that the document had been accepted and recorded by MyIPO was not a guarantee of proper title. Although the patent was ultimately held to be invalid for lack of novelty, the court had also indicated that the plaintiff, being a mere licensee, had no standing to sue for patent infringement.

Two patent actions have reached Malaysia's Federal Court in recent years.

The Patents Act and Regulations contain provisions for the amendment of patents post-

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grant, with the procedure being conducted before MyIPO. However, one important limitation is that there are no pending court proceedings relating to the patent. In the patent infringement case *SKB Shutters Manufacturing Sdn Bhd v Seng Kong Shutter Industries Sdn Bhd*, the issue before the Federal Court was to decide whether any dependent claims of a granted patent should be treated as having their fate solely tied to the validity of their parent independent claim, or whether each dependent claim should be notionally treated as an independent claim in its own right comprising the combination of features it contains and refers back to.

The Federal Court took the former approach and indicated that in these circumstances a dependent claim, whose parent independent claim was invalid, could be saved only by amending and elevating the status of the claim to that of an independent claim in its own right. Furthermore, in the court’s opinion, the court had no jurisdiction to entertain an application for amendment itself, and the current Patents Act prevented such an amendment from being pursued before MyIPO in the course of the litigation. Thus, a finding of invalidity of the independent claims effectively doomed the patent.

MyIPO and IP practitioners alike recognise the unsatisfactory nature of this dilemma of a patent owner being unable to cure any invalidity that comes to light in a legal action. It is understood that MyIPO intends to propose amendments to the Patents Act to address the situation, although the timeframe is unknown. Meanwhile, patent applicants will need to adopt measures to safeguard important cases, such as pursuing multiple independent claims of varying scope or even judicious use of voluntary divisional applications.

In *Spind Malaysia Sdn Bhd v Justrade Marketing Sdn Bhd*, the Federal Court addressed the assessment of inventive step. The main question was whether the court is required to apply and carry out the four-step test from the renowned English case of *Windsurfing International Inc v Tabur Marine (Great Britain) Ltd* (more commonly known as the ‘Windsurfing test’).

Overall, the Windsurfing test was seen as a useful guide and a good starting point. It provided a structured approach to inventive step and avoided going straight to the issue of obviousness by reference to a general impression as to the evidence as a whole. Nevertheless, the individual steps of the test should not be taken to be set in stone and mechanically applied, especially where the evaluation of a straightforward factual scenario may be derailed by ancillary debates on niceties. The court must always bear in mind that the ultimate question, expressed in Section 15 of the Patents Act 1983, is simply whether the invention is obvious to a person having ordinary skill in the art, having regard to the prior art.

Further, the Federal Court rejected a suggestion that the problem-and-solution approach be adopted for the purposes of determining the inventive concept. The problem-and-solution approach is routinely applied in the EPO. However, based on the requirement of Section 12 of the Malaysian Patents Act that defines the meaning of invention in terms of problem and solution, the Federal Court was of the view that applying the same approach to inventive step under Section 15 would conflate two distinct statutory requirements.

A common thread in these two Federal Court patent decisions is an assertion of national independence by the judiciary with close attention paid to the precise wordings of the Malaysian statutes. The court will certainly still take note

of the legal position in and case law of other countries, but will also examine the similarities and differences between the local and foreign legislation. The days of simply rubber-stamping the law and practice of major foreign jurisdictions are clearly behind us.

In *Liwayway Marketing Corp v Oishi Group Public Co Ltd*, the Federal Court pronounced on the burden of proof for cancellation of a registered trademark for non-use. Over-ruling the lower court decisions, the Federal Court decided that the applicant for cancellation had to establish a *prima facie* case of non-use. Failing that, there was no onus on the registered trademark owner to present evidence of use of their trademark. In the specifics of the case, the market survey evidence relied on by the applicant for cancellation of the impugned mark was held to be defective. First, it was only in respect of goods in one of the three classes covered by the registrations. Second, the survey evidence did not cover the requisite continuous statutory three-year period up to one month before the application for cancellation.

In the light of the developing case law, change is the only constant. IP rights holders would be well advised to engage local IP professionals with the skills and experience needed to carefully negotiate the processes of procuring, enforcing and defending their rights. **iam**



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