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LEGAL INSIGHTS

A SKRINE NEWSLETTER

MESSAGE FROM THE EDITOR-IN-CHIEF

By the time this message is read, the year 2014 would have come to a close. To some, the year 2014 moved on too fast but to many others, 2014 is a year they rather forget because of the painful memories of the tragedies that struck our National Air carrier and AirAsia Indonesia; the deadly Ebola virus; and the rise of religious intolerance and racial tension within and outside Malaysia.

To me, 2014 is bittersweet as it is the year that I officially retire as a Partner of SKRINE, having reached the Firm's contractual retirement age. My time in SKRINE spanned a total of 41 years. Along with my retirement, I will relinquish my position as the Editor-in -Chief of LEGAL INSIGHTS. However I will remain in SKRINE as a Consultant.

To me, one of the best projects the Firm has provided for the clients as well as our lawyers is the creation of our Newsletter in 2004 which provides case commentaries and articles of law which are relevant and of interest to our clients and keep them informed of the latest legal developments in many aspects of law. For our lawyers, LEGAL INSIGHTS has helped to thrust their expertise and knowledge to the forefront, placing their reputation ahead of their peers outside of SKRINE. I am happy to have been part of the publication since its inception and I am positive that the excellence of the LEGAL INSIGHTS will be continued in the years to come. A big thank you must be extended to the Editorial Team led by Mr. Kok Chee Kheong who will take my place as Editor-in-Chief for 2015. A big thank you must of course go to the clients for their ongoing support of SKRINE and our Newsletter.

For 2015, my wishes for all clients, friends and readers is to have a year full of dreams, achievements and accomplishments as well as a year filled with happiness and joy as well as good health.

Thank you very much and God Bless.

LEE TATT BOON
Editor-in-Chief
& Senior Partner

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ANNOUNCEMENTS

DOING OUR LITTLE BIT FOR SOCIETY

Like many caring Malaysians, the staff and lawyers of our Firm came forward to assist the victims of the recent floods that displaced more than 200,000 Malaysians from their homes. Our staff and lawyers, and some friends, donated two van loads of food and supplies to the Natural Disaster Aid Drop Off Centre.

The Firm would like to thank our lawyers, Yeong Hui, Su Ning and Siong See, and the Skrine Dragons, for organising this donation drive.

Siong See with the first van load

Razali packing the second load

FIRST DECISION ON STATUTORY ADJUDICATION

In the first case of its kind, the High Court handed down a landmark decision as to the scope of application of the Construction Industry Payment and Adjudication Act 2012 ("Act") in *UDA Holdings Bhd v Bisraya Construction Sdn Bhd* (24C-6-09/2014) and *Capital Avenue Development Sdn Bhd v Bauer (M) Sdn Bhd* (24C-5-09/2014) on 31 October 2014.

The High Court determined that the Act applies retrospectively, namely, that the Act applies to any payment dispute under a construction contract regardless of when the construction contract was made, provided that the payment dispute had not been referred to arbitration or court prior to the commencement date of the Act, i.e. 15 April 2014. An appeal against the decision of the High Court has been filed at the Court of Appeal.

The High Court issued its grounds of the decision on 5 December 2014. A detailed analysis of the decision will be featured in the next issue of Legal Insights.

CLIENTS' FEEDBACK

In an effort to enhance the quality of our legal service for our valued clients, we have created an email address namely: executivecommittee@skrine.com for our clients to provide feedback on matters undertaken by our lawyers. Clients are encouraged to use it to help our lawyers assist you better.

FROZEN

Ong Doen Xian examines the
on section 11 of the

On 13 October 2014, the Court of Appeal upheld a Mareva or freezing injunction granted in aid of foreign arbitration proceedings in Singapore. The injunction was granted earlier in the year by the High Court, and is reported in *Interactive Brokers LLC v Neo Kim Hock & Ors* [2014] 8 CLJ 747. This is the first reported decision where section 11 of the Arbitration Act 2005 has been used to assist in arbitration proceedings where the seat is outside of Malaysia.

BACKGROUND

The facts of this case are connected to last year's spectacular collapse of the shares of Blumont Group Ltd ("Blumont"), Asiasons Capital Ltd ("Asiasons") and LionGold Corp Ltd ("LionGold"), three companies listed on the Stock Exchange of Singapore ("SGX"). These companies became the subject of regulatory scrutiny by the SGX and the Monetary Authority of Singapore, and attracted wide coverage by the international media, when the value of the companies' shares hit meteoric highs in the first nine months of 2013 but crashed almost immediately after the SGX issued an official query on 1 October 2013 as to the reasons for the impressive values achieved by the companies' shares.

> **" The High Court recognised that it was … empowered to grant the Mareva injunction … pursuant to section 11 of the Arbitration Act 2005 "**

Barely three days later and within the first hour of trading on 4 October 2013, the shares of all three companies plunged dramatically in value, causing approximately SGD8 billion in market value to be erased. This sequence of events prompted the SGX to immediately suspend trading in the shares of those companies.

MAREVA INJUNCTION

The targets of the Mareva injunction were six Malaysian individuals and two companies (collectively "respondents"), most of whom either had direct or indirect interests in Blumont, Asiasons and LionGold.

All of the respondents had opened trading accounts with Interactive Brokers LLC ("IB"), a US-regulated, online securities and commodities broker, and had purchased substantial positions in the Blumont, Asiasons and LionGold shares on margin, using funds borrowed from IB.

As it turned out, the collapse of the Blumont, Asiasons and LionGold shares caused the respondents' trading margins to

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Interactive Brokers Case
Arbitration Act 2005

fall below the requisite minimum. The respondents were unable to resolve the shortfalls in their accounts, and IB took remedial action by liquidating the securities held in the respondents' trading accounts. IB then commenced arbitration proceedings in Singapore to recover the remainder of the respondents' debts, amounting to approximately SGD79 million.

To preserve any likely award that would be made in the arbitration proceedings, IB sought and obtained a Mareva injunction before the Singapore High Court on 11 November 2013. IB subsequently sought a Mareva injunction from the Kuala Lumpur High Court on similar terms, not least because the respondents had assets within the jurisdiction, but also because of problems with the enforcement of the Mareva injunction granted by the Singapore High Court in Malaysia.

The provision which IB relied on to obtain the Mareva injunction was section 11 of the Arbitration Act 2005. This provision enables a court to grant interim measures for, amongst others, the preservation, interim custody or sale of any property that is the subject matter of the arbitral proceedings, or to ensure that any award which may be made in the arbitral proceedings is not rendered ineffectual by the dissipation of assets by a party.

> **“ a Malaysian court should adopt a purposive approach to section 11 ”**

It was IB's position in the Mareva proceedings that the respondents were insiders and related parties of Blumont, Asiasons and LionGold and appeared to have been engaged in some sort of concerted trading scheme in the shares through their accounts with IB. In support of a grant of a Mareva injunction, IB submitted that there was a real risk of the respondents dissipating their assets, taking into consideration various factors, including the following:

(1) The circumstances surrounding the entire saga which led to the crash of the Blumont, Asiasons and LionGold share prices;

(2) The suspicious trading patterns adopted by the respondents as well as the complex and opaque manner in which the respondents had sought to conceal their relationship with each other and with the three companies;

(3) The evasive manner in which the respondents approached their obligations towards IB and the dispute resolution process; and

(4) The huge financial strain which the respondents were under.

The High Court recognised that it was indeed empowered to grant the Mareva injunction sought by IB pursuant to section 11 of the Arbitration Act 2005. In granting the Mareva injunction, the court also found that IB had satisfied the conditions for the grant of the order as IB had shown that it had "a good arguable case" in the arbitration, and had also shown that there was a real risk of dissipation of assets by the respondents.

APPELLATE PROCEEDINGS

The subsequent appeal by the respondents against the High Court's decision was dismissed by the Court of Appeal on 13 October 2014. The Court of Appeal agreed with the findings of the High Court and further added in its brief grounds (which were delivered orally), that a Malaysian court should adopt a purposive approach to section 11 of the Arbitration Act 2005 as a way to aid parties to arbitration.

> **“ this case continues to underscore a positive judicial outlook towards arbitration ”**

CONCLUSION

The decision of the Court of Appeal has been reported in various local newspapers and is for all intents final, as the time frame for escalating an appeal to the Federal Court has lapsed.

It is not known if the Court of Appeal will provide any written grounds.

Apart from being the first reported decision where section 11 of the Arbitration Act 2005 has been applied in aid of arbitration proceedings where the seat is outside of Malaysia, this case continues to underscore a positive judicial outlook towards arbitration.

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DEADLOCK IN MANAGEMENT

Nathalie Ker discusses a recent case on the scope of shareholders' reserve powers

In Company Law, there is usually a clear division of power between the board of directors and the shareholders of a company. Subject to the articles of association, the business and affairs of a company are managed by the board of directors. However, where there is deadlock in the board of directors, shareholders may be vested with reserve powers of management under the common law in order to break such deadlock.

When do shareholders have such reserve powers? How is the scope of such powers determined? These were the underlying questions behind the legal issues that were before the Singapore High Court in the recent case of *TYC Investment Pte Ltd and others v Tay Yun Chwan Henry and another* [2014] SGHC 192.

BACKGROUND OF THE COMPANY

The case concerns TYC Investment Pte Ltd ("TYC"), a family holding company for the well-known Singaporean luxury watch retailer, The Hour Glass Limited ("THG"), and other family assets. The dispute arose out of the 2010 divorce proceedings between Dr Henry Tay Yun Chwan ("Tay") and Ms Jannie Chan Siew Lee ("Chan"), the founders of THG. Tay and Chan were also the founders and the only directors of TYC, each holding a founder share in TYC which gave them 46% and 44% of the voting rights respectively. The other shareholders were their three children.

> "shareholders may be vested with reserve powers of management ... in order to break such deadlock"

Article 8 of the Articles of Association of TYC provided that Tay and Chan were to be the permanent 'Governing Directors' of TYC until they resigned from office, and all other directors would be under their control and would have to conform to their discretion regarding TYC's business. Article 8, with its restrictions on any other directors of the Company, was central to the dispute at hand.

THE DIVORCE SETTLEMENT AND PAYMENT CLAUSE

As part of the settlement of the divorce proceedings, three agreements were entered into by Tay and Chan ("Settlement Agreements"). One of these agreements contained a payment clause (amended by a subsequent agreement) ("Payment Clause") which required payments by TYC to be approved by both Tay and Chan, and neither could sign a cheque on TYC's bank accounts unless the other had signed a voucher approving the payments.

TYC was bound by the Payment Clause by a deed entered into among Tay, Chan and TYC. Article 16 of the Articles of Association of TYC further prohibited TYC from amending, varying or waiving its rights and obligations under the aforesaid deed without the unanimous consent of the shareholders of TYC.

What neither Tay nor Chan foresaw in the drafting of the Payment Clause was that either of them could unilaterally cause TYC to withhold payments of apparently legitimate expenses by simply refusing to sign a corresponding voucher.

EVENTS LEADING TO THE DISPUTE

The events leading up to the suit revolved around the refusal of Chan to approve various payments by TYC. As most of the disputes over the payments were settled by the time the suit was heard by the Court, the only payments in issue were payments of fees to KPMG in connection with its engagement to advise on accounting and tax issues arising from the Settlement Agreements, and fees due to solicitors, TSMP Law Corporation ("TSMP"), in connection with the commencement of the suit.

As a result of Chan's refusal to approve payments, Tay convened an Extraordinary General Meeting ("EGM") of TYC on 4 September 2013 to pass resolutions to appoint TSMP to commence an action against Chan and to authorise Tay to unilaterally sign cheques and vouchers to effect certain payments. The EGM was attended by Tay and one of the three children. As they collectively held 51% of the voting rights in TYC, the resolutions were passed.

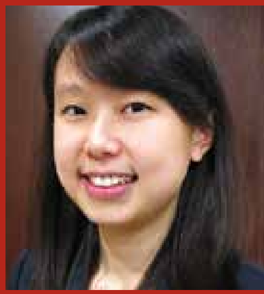
> "Reserve powers are a matter of implication under a company's constitution on the basis of necessity or business efficacy"

Chan opposed the appointment of TSMP, arguing that the appointment by way of the resolutions on 4 September 2013 was improper as the management and administrative powers of TYC vest with its board of directors.

The Court had to decide whether the shareholders of a company in general meeting could pass a resolution to approve the appointment of solicitors and to commence proceedings against a director where such a director was able to veto any proposed board resolution to commence such proceedings.

THE DECISION OF THE COURT

Lee Kim Shin JC began his legal analysis by considering the issue of the division of powers between the board of directors and the shareholders of a company and an examination of the seminal common law authorities. Section 157A of the Singapore Companies' Act, which states that "*the business of a company shall be managed by or under the direction of the directors*" and that "[t]*he directors may exercise all the powers of a company except any power that this Act or the memorandum and articles of the company require the company to exercise in general meeting*", was also brought into the equation.



NATHALIE KER SI MIN

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It was concluded that section 157A settled the position that where powers of management are vested in the board of directors, then ordinarily, the board alone could exercise those powers. This position was reflected in Article 73 of the Articles of Association of TYC.

The Court then went on to consider whether there was an exception to the general position where shareholders had '*reserve powers*' of management when the board of directors was in deadlock. After reviewing various English authorities and an Australian authority, the Court concluded as follows:

(1) Reserve powers are a matter of implication under a company's constitution on the basis of necessity or business efficacy, and the scope of such powers is narrow, with the express terms of the contract between the shareholders and the directors (i.e. the articles of association) to be respected as far as possible;

(2) Reserve powers do not devolve to the shareholders unless the board is unable or unwilling to act. The fact that shareholders disagree with a *bona fide* board decision will not in itself be sufficient. However, if the directors who are preventing the company from suing are the wrongdoers themselves, this requirement is more often than not satisfied;

“ Reserve powers do not devolve to the shareholders unless the board is unable or unwilling to act ”

(3) If the deadlock in management may be broken in some other way under the company's constitution, the Court should refuse to recognise any such reserve powers of management. Thus, mere convenience will not justify the exercise of management powers by shareholders;

(4) The scope of the reserve powers which the shareholders may exercise would depend on the facts of each case - a useful yardstick being *"what is reasonably necessary in the circumstances to break the deadlock?"*; and

(5) The resolution to commence proceedings must be validly passed in accordance with the company's constitution, depending on whether a super-majority decision is needed or merely an ordinary resolution will suffice.

APPLICATION TO THE FACTS

Did the shareholders by way of the EGM have the power to appoint TSMP and commence legal proceedings in the name of TYC?

The learned judge then applied the principles set out above to the TYC suit. It was not disputed that there was a deadlock in management, the source of the deadlock being two-fold: first, the requirement that both Tay and Chan approve payments according to the Payment Clause; and second, the fact that they were the only two directors of TYC and had to agree on management decisions.

It was decided that TYC did not have a contractual remedy under its articles to break the deadlock in relation to the resolutions raised at the EGM as payments had to be approved by both Tay and Chan. Thus any appointment of additional directors would not break this deadlock. Further, any additional directors appointed would still have to submit to the discretion of Tay and Chan in respect of the management of TYC including the commencement of any legal action.

Having decided that it was necessary for the shareholders to have reserve powers in this case, the next issue was the scope of these reserve powers. On the facts, it was held that it was reasonably necessary for the shareholders in the EGM to have the limited power to appoint solicitors to commence proceedings to determine the rights and obligations of the relevant parties under the Settlement Agreements, in order to break the deadlock in management.

Could the shareholders in the EGM authorise the unilateral approval of payments by Tay or compel Chan to sign the relevant cheques or payment vouchers?

Having decided that the appointment of TSMP at the EGM of 4 September 2013 was valid, the Court nevertheless went on to hold that the reserve powers of the shareholders did not extend to authorising the unilateral approval of payments by Tay as this was inconsistent with the Payment Clause, and it would not be reasonable to imply a reserve power which would allow the EGM to determine payment matters for itself, as opposed to allowing the commencement of legal proceedings in order to enable the Court to determine the rights and obligations of the parties under the Settlement Agreements or at general law.

It was also decided that there was no breach of fiduciary duty by Chan in her refusal to approve the payments to KPMG as she had a *bona fide* belief that KPMG had not discharged fully or properly its obligations under the terms of the engagement. Thus, she could not be compelled to approve such payments.

Further, the Court did not make any order to compel Chan to approve payments to TSMP as the Court held that it was not

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THE TALE OF TWO SKRINES

Tatt Boon and Melissa take a look back to the "Skrine v Skrine" domain name dispute

This is a tale from the annals of this firm's own history concerning the fight for the domain name <skrine.com>.

BRIEF INTRODUCTION TO DOMAIN NAME DISPUTES

For the lay person without a very clear idea of domain name disputes, here are a few key points to set the background to this story:

(1) At the risk of over simplifying the Domain Name System of the Internet – a 'domain name' in its most simplistic sense can be regarded as the distinctive name that identifies an address on the Internet. A 'website' can be regarded as the content which is then placed at this address.

(2) There are generic Top-Level Domains (gTLDs) e.g. '.com', '.org', '.net'. There are also country code domains e.g. '.my' or '.com.my' for Malaysia. <skrine.com> is a gTLD domain name.

(3) Registering a gTLD would have to be done through a registrar accredited by the Internet Corporation for Assigned Names and Numbers (ICANN). There are over 1,000 such registrars all over the world.

(4) Registration agreements to register a gTLD with an ICANN-accredited registrar invariably incorporate the Uniform Domain-Name Dispute Resolution Policy ("UDRP"). Through the UDRP, each person registering a domain name ("Registrant") warrants that to his/her knowledge, the registration of the domain name will not infringe upon or otherwise violate the rights of any third party.

(5) If a Registrant has registered a gTLD domain name in violation of another's rights, a UDRP Complaint may be filed to seek cancellation or transfer of the disputed domain name. Complaints should be filed with an approved dispute-resolution service provider.

(6) It should be noted that any UDRP administrative proceedings do not detract from use of the courts as a means to resolve traditional trademark-based disputes involving domain names. Traditional dispute resolution methods may involve higher costs or more protracted timelines or both, but may be able to provide more remedies to a Complainant.

The Elements for a UDRP Complaint

For a UDRP Complaint to succeed, the Complainant will have to prove the following three elements:

(1) The Complainant has rights to a trademark or service mark to which the disputed domain name is identical or confusingly similar;

(2) The Registrant of the disputed domain name has no rights or legitimate interests in respect of the domain name; and

(3) The disputed domain name has been registered and is being used in bad faith.

THE CLASH OF THE SKRINES

The Complainant in this case was this very law firm, Skrine. The firm was formerly known as Skrine & Co. from inception in 1963 until 1 January 2000. Previously the firm used the domain name <skrineco.com> for its email addresses e.g. skrine@skrineco.com.

The Background Facts

In April 1999, the disputed domain <skrine.com> was found to have been registered in the name of My Information Centre Sdn Bhd ("My Info"). At some point, My Info offered to transfer the domain name to the firm for a one-time payment, although this did not materialise.

On 30 December 1999, the firm filed a Writ of Summons in the High Court of Malaya against My Info and its director seeking an injunction and the transfer of <skrine.com>.

"the registration of <skrine.com> by the Respondents was in bad faith"

The story then takes an interesting turn as it was subsequently discovered that the disputed domain <skrine.com> had been re-registered in the name of one Skrine Low Chit Sin from 17 January 2000.

The firm filed its UDRP Complaint with the World Intellectual Property Organization (WIPO) Arbitration and Mediation Center in August 2000 seeking the transfer of <skrine.com> ("Complaint"). The Complaint was registered under WIPO Case No. D2000-1105.

The Complaint named the new Registrant, Skrine Low Chit Sin as First Respondent. The Complaint also named My Info as Second Respondent, and the party who had been named as administrative, technical and billing contact in the domain's registration as the Third Respondent.

The First UDRP Element: Establishing the Complainant's Rights

It would be immodest to elaborate on the various reasons which were put forth by the firm to show that it had acquired reputation and goodwill in the name "Skrine". Suffice to say, the firm maintained that as a consequence of its long and extensive use from 1963, it had acquired rights to the name. The firm also maintained that due to the rarity of the name "Skrine", the name "Skrine" is distinctive of and associated exclusively with the firm.


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At this point it should be noted that location is by and large irrelevant to the First UDRP Element i.e. showing that the disputed domain name is identical or confusingly similar to a trademark or service mark belonging to the Complainant. If the Complainant legitimately holds registration of a trademark that is identical or confusingly similar somewhere in the world, then it generally satisfies the requirement. For unregistered marks, the Complainant must show that the mark/name is distinctively associated with the Complainant or its goods or services – again, irrespective of locality. Locality may however play a role in determining bad faith, the Third Element.

As regards this First Element, the Panel accepted that the firm had rights and legitimate interest in the name "Skrine" and further found that the name "Skrine" and the disputed domain name <skrine.com> were identical and confusingly similar.

The Second UDRP Element: No Rights / Legitimate Interests belonging to the Registrant

The firm took the position that the First Respondent, the said Skrine Low Chit Sin, did not exist and was merely a fictitious character made up by the Second Respondent and/or the Third Respondent in order to frustrate the Complainant's attempts to obtain the transfer of <skrine.com>.

The Complaint set out various indications that the Registrant / First Respondent's particulars were false, including that the town in China cited as the First Respondent's address did not exist. The Complaint also included various reasons to believe that the particulars of the Third Respondent – who had been named as administrative, technical and billing contact in the registration – were false.

The Panel found that the Respondents had been silent in response to these contentions. The Panel observed that the only response by the Respondents was that Skrine Low Chit Sin was a Malaysian working in China. The Panel concluded that this assertion lacked credibility and subsequently concluded that the Respondents did not have any right or legitimate interest in "Skrine".

An observation to be made here is that if a person legitimately named Skrine Low Chit Sin really existed, then it may have been difficult to show that the Registrant did not have legitimate interests to a domain name which incorporates his own name.

The Third UDRP Element: Bad Faith

The UDRP provides a non-exhaustive list of circumstances which may reflect bad faith. These are summarised below.

(1) Where the disputed domain name was registered / acquired primarily for the purpose of selling it to the trademark owner (or a competitor) for profit or commercial gain.

(2) Where the disputed domain name was registered in order to prevent the trademark owner from doing so, and where it can be shown that the Registrant has engaged in a pattern of such conduct.

(3) Where the disputed domain name was registered primarily for the purpose of disrupting the business of a competitor.

(4) Where the disputed domain name is used to intentionally profit from the goodwill of another e.g. attempting to attract Internet users to the Registrant's web site or other on-line location by using a domain name that is confusingly similar with a mark belonging to the Complainant.

The Panel held that the registration of <skrine.com> by the Respondents was in bad faith in the circumstances. The Panel referenced the Respondents' admission that they had demanded payment for transfer of <skrine.com>. The Panel also referred to the fact that the Respondents had not replied to a specific allegation by the firm that the Respondents had similarly hijacked a large number of other renown names in Malaysia, including the names of well-known law firms, public listed companies, stock exchanges, government bodies and political societies, such as: <allengledhill.com>, <karpalsingh.com>, <arab-malaysian.com>, <perodua.com>, <simedarby.com>, <felda.com>, <tabunghaji.com>, <umno.com>, <mrcb.com>, <bernas.com>, <tanchong.com>, and <klse.org>.

CONCLUSION

In a decision dated 1 December 2000, the Panel ruled that the domain name <skrine.com> be transferred to the firm. This is illustrative of the expediency of filing a UDRP Complaint for an aggrieved party seeking the transfer or cancellation of a disputed domain name in a quick resolution of the dispute.

And thus ends the tale of the domain name of Skrine's website found at: www.skrine.com.

As a side note, the domain name <simedarby.com> was later the subject of a separate UDRP Complaint: *Sime Darby Berhad Malaysia v. Mr. Sim e-Darby* (WIPO Case No. D2001-1254) and like the Tale of Two Skrines, had a happy ending!

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STAR TROLLS: THE PATENT MENACE

Grace Teoh discusses the advent of patent trolls

While trolling through the Internet for news about patent trolls, it is apparent that patent trolls may have been bestowed with the most acronyms. A patent troll is known as, amongst others, a Patent Monetisation Entity (PME), a Patent Holding Company (PHC), a Patent Assertion Entity (PAE), or a Non-Practising Entity (NPE).

The use of these monikers is preferable as they are less pejorative than calling a troll, a troll. In fact, it was reported that Judge Lucy Koh of the United States District Court for the Northern District of California recently ordered Apple, Inc.'s lawyers to cease referring to the claimant in a patent infringement suit, GPNE Corporation, as a patent troll.[1]

Then again, a troll is not a troll until proven a troll. So, what *is* a patent troll?

IT SMELLS LIKE A TROLL

Patent trolls have one objective: to make money off patents which they have rights to, in the shortest time and simplest manner possible. These patents are usually broad in nature, and are acquired specifically for the purpose of enforcement. These people or entities hold patents which they do not use other than to enforce them against other parties, i.e. they do not manufacture goods or supply services which utilises the patents they hold. The patents are used by the trolls to threaten a claim for patent infringement.

Trolls, as a rule of thumb, target small or medium enterprises with threats of patent infringement suits. The *modus operandi* of this lucrative business model is as follows: a broadly-worded cease-and-desist letter is issued, together with a demand for payment of a "nominal" sum of money as damages, and a threat that if the payment is not made within a specified period, the troll would commence a claim for patent infringement. In certain circumstances, the trolls also "generously" offer to license the patent to the receiving party. The trolls are hoping that the receiving party will choose to settle, instead of defend, the claim.

The receiving party is usually cornered into settling the claim, even one with remote prospects of success - as the cost of paying the patent troll a few thousand dollars is considerably less than the cataclysmic cost of defending a patent suit which could amount to a few million dollars. The patent trolls are aware of the significant patent litigation costs and as such, would generally cap their demands for "nominal" damages at a sum which appear more bearable in comparison.

IT LOOKS LIKE A TROLL

At the moment, patent trolls are predominantly an American legal issue. That isn't to say that there have not been attempts in other jurisdictions[2]. The main reason appears to be the difficulty for victorious defendants in the United States to claim for the costs of defending the claim, as compared to certain other jurisdictions, for example, England. Patent trolls take advantage of the fact that the defendant would have more to lose defending the claim, than to settle it.

One of the most publicised patent troll suits of all time was recently settled for possibly that reason.

In February 2013, Personal Audio LLC threatened to take legal action against comedian podcaster Adam Carolla for infringing their US Patent No. 8,112,504, for "episodic content" *vide* Carolla's actions of recording and publishing podcasts. Carolla decided to challenge Personal Audio's claim, and collected some USD450,000 from his fans to do so. In August 2014, after a gruelling challenge by Carolla for 18 months, Personal Audio offered to drop the claim against Carolla. It was reported that at first, Carolla had intended to ensure that Personal Audio would no longer make threats against other podcasters by having the patent invalidated. However, by the end of August 2014, Carolla had agreed to settle with Personal Audio. One can only surmise that it is due to the extensive costs to continue the battle.[3]

Sadly, Carolla is one of the few defendants who can afford to at least attempt to put up a fight, in large due to his fans' collective purses. There have been, still are, and always will be, numerous victims for patent trolls to choose from, many of which do not have the luxury of defending themselves against such threats.

Rightly or wrongly, Personal Audio's claims have been widely vilified across the Internet as an example of patent trolling. This notwithstanding, a jury in Texas recently awarded Personal Audio USD1.3 million in damages against American television network CBS for infringement of the same patent that Personal Audio had used against Carolla.[4]

The saga of Personal Audio is by no means over. Its patent is being attacked from at least four fronts: two other television networks, Fox and NBC, are fighting Personal Audio's infringement claims while proceedings have been initiated by CBS in the US courts and by Electronic Frontier Foundation at the US Patent and Trademark Office, to invalidate Personal Audio's patent.

BUT IT ISN'T A TROLL?

What if the strengths of the relative parties' positions were reversed? What if it was David going after Goliath instead? Or a battle of Goliaths? Would the claimant still be known as a patent troll?

Earlier in the year, it was reported that tech giant Google had lost in its defence against SimpleAir's suit for patent infringement.[5] SimpleAir had sued, among others, Google, Microsoft, Apple, Samsung, Research in Motion, Nokia, and Huawei for infringing its US Patent No. 6,021,433 and US Patent No. 7,035,914 for "methods of processing and transmitting internet-based content and real time modifications" outlined in the patents.[6] Colloquially, users know this as "push notifications", the automatic alert of new messages or events on mobile phones or tablets.

Fortune has reported that the 10 biggest patent troll *targets* in the business are all giants in the industry: AT&T, Google, Verizon,

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Apple, Samsung, Amazon, Dell, Sony, Huawei, and Blackbery.[7] At one point, Google was defending 72 active cases. These companies are so beleaguered by patent trolls that they must take preventive steps by paying a subscription fee to defensive patent aggregators such as RPX Corporation to "*buy up potentially problematic patents on the open market, before NPEs can get their hands on them.*"

In schismatic reaction, these giants themselves are beginning to see the benefits of "monetising and protecting" their IP assets. These companies either aim to pressure other companies to license the technology with the threat of litigation, or sell the patents off to patent enforcement entities.

In 2011, Apple Inc., Microsoft Corp., Research in Motion, Ltd., Ericsson Inc., and Sony Corp. jointly spent a total of USD4.5 billion to outbid Google Inc. to buy more than 6,000 patents from the bankrupt Canadian telecommunications giant, Nortel Networks Corp. Two-thirds of these patents were then transferred to a venture between these same companies, known as Rockstar Consortium. Rockstar's *modus operandi* is to examine successful products and check if these products infringe any of the 4,000 patents it owns.[8] Armed with this portfolio, Rockstar proceeded to wage war against eight Android-smartphone manufacturers including Google, Samsung, and Huawei, in 2013.

TROLL BUSTERS

Patent trolls have become so disruptive for local businesses in the United States that state authorities have begun to intervene.

In May 2013, in an unprecedented move, Vermont Attorney-General William H. Sorrell filed a suit against MPHJ, Inc., for breach of consumer protection laws. MPHJ had sent standard letters to small businesses claiming patent infringement and demanding USD1,000 per employee as damages. In Nebraska, Attorney-General Jon Bruning took up the baton and issued a civil investigative demand to the law firm which worked hand-in-hand with MPHJ to issue the cease-and-desist letters.[9]

Some have also taken the view that the decision of the United States' Supreme Court in *Alice Corporation Pty Ltd. v CLS Bank International, et al.* (Docket No. 13-298) has thrown a spanner in the trolls' works. In *Alice*, the Supreme Court held that an idea alone cannot be patented, and mere *generic* computer implementation fails to transform that abstract idea into a patent-eligible invention. In other words, *specific* implementation may be patentable in the United States, but broadly-worded software patents which trolls generally use to enforce their rights are unlikely to fly.

RAKSASA DI BAWAH JAMBATAN[10]

To date, there have not been any publicised cases which show that patent trolls have invaded our shores. This does not necessarily mean that Malaysian businesses are safe from the troll should he emerge from under the bridge.

The Trade Marks Act 1976 allows trade marks to be expunged for non-use. Bereft of a similar right under the Patents Act 1983 ("PA"), the main defence against an infringement claim would be to initiate proceedings to invalidate the patent or to obtain a declaration of non-infringement, both of which, to the delight of a patent troll, are time consuming and costly exercises which small businesses can ill-afford.

Other defences may be available under sections 38 and 35A of the PA. Under section 38, if a person has, in good faith, been using the process or product or making serious preparations to use the same as at the priority date of the patent application, he is conferred the right to exploit the patented invention, notwithstanding the grant of the patent. There are two conditions to this defence: The utilisation must be in Malaysian territory, and the person must be able to prove that his knowledge of the invention was not a result of the disclosure expounded in section 14(3).

Section 35A(6) does not allow infringement proceedings to be taken in respect of a patent after it is notified in the Gazette that the patent has lapsed and before it is notified in the Gazette that the patent has been reinstated.

Admittedly, the situations in which a defence can be raised under sections 38 and 35A are extremely limited.

In appropriate circumstances, a beleaguered defendant may consider the feasibility of deploying section 50 of the PA to compel a patent troll to licence the patent to him under section 49 or 49A of the PA for a royalty fee to be determined by the Intellectual Property Corporation of Malaysia. Section 49 applies to situations in Malaysia where the patent is not utilised, or the product for which the patent is being used is unreasonably priced or unable to meet market demands. Section 49A, on the other hand, enables the user of a later patent to obtain a compulsory licence to use an earlier patent if the later patent is inoperable without infringing the earlier patent.

Further, as Malaysian law allows the winning party to recover a part of his litigation costs from the losing party, patent trolls may be emboldened to pursue infringement proceedings against small and hapless businesses in Malaysia.

Given that 98.5% of Malaysian business establishments comprise small and medium enterprises, Malaysia could prove to be a fertile hunting ground for patent trolls.[11]

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IS YOUR BUSINESS REALLY GST READY?

Harold Tan and Sarah Kate Lee consider the powers of enforcement under the GST Act 2014

The clock is ticking. Time is running out. As 1 April 2015 draws closer, the race to be ready for the imposition of goods and services tax ("GST") takes a quicker pace. In the midst of the rush to be GST ready, we highlight one important area under the Goods and Services Tax Act 2014 ("GST Act") which may be inadvertently overlooked.

ENFORCEMENT POWERS

Part X of the GST Act ("Part X") houses the powers of enforcement of the officers of goods and services tax ("officer"). Within these provisions are obligations which businesses must be aware of to ensure that offences are not committed. Thus, it is imperative that businesses include this area in their preparation for the implementation of GST.

POWERS OF SENIOR OFFICERS

The GST Act provides a senior officer of goods and services tax ("senior officer") with all the powers of a police officer of whatever rank as provided for under the Criminal Procedure Code in relation to enforcement, inspection and investigation.

> "A senior officer has the right of full and free access … to any premises where a person carries on business"

ACCESS TO PREMISES

A senior officer has the right of full and free access at all times to any premises where a person carries on business. Refusal to permit a senior officer to exercise this right is an offence. The penalty upon conviction is imprisonment for a term not exceeding seven years, or a fine not exceeding RM100,000.00, or both.

It should also be noted that a senior officer when entering any premises has certain discretionary powers. For example, he may require the production of any thing which relates to the person's business and may examine, seize and detain any goods, document or thing which in his opinion may afford evidence of the commission of any offence under the GST Act. He may also require the person to answer any questions, demand any receptacle to be opened, examine any package, goods or material, and take samples.

A senior officer who is unable to obtain full and free access to any premises or to any receptacle contained therein, has the power to enter the premises and open the receptacle by force, if necessary.

If a senior officer exercises the power of access to premises, the person who carries on business or any other person present at the premises at that time of entry must provide to the senior officer all reasonable facilities and assistance for the exercise of his duties. Failure to do so is an offence, which upon conviction, is punishable with imprisonment for a term not exceeding seven years, or a fine not exceeding RM100,000.00, or both.

POWER TO STOP AND SEARCH CONVEYANCE

An officer has the power to stop and examine any conveyance for the purposes of ascertaining whether any goods in respect of which he has reason to believe that an offence under the GST Act has been committed, are contained therein.

For the purposes of the GST Act, a conveyance includes any vessel, train, vehicle, aircraft or any other means of transport by which persons or goods can be carried.

The person in control or in charge of the conveyance must, if so required by the officer, stop the conveyance and allow the officer to examine it, or move it to another place for examination, and not proceed until permission to do so has been given by the officer.

Further, the person having control or charge of the conveyance must, on the request of the officer, open all parts of the conveyance for examination by the officer and take all measures necessary to enable the officer to conduct such examination as the officer considers necessary.

POWER OF SEARCH

Search with warrant

Any officer empowered by a warrant issued by a Magistrate in relation to any place, premises or conveyance has the authority at any time and with or without assistance:

(1) to enter the place, premises or conveyance and search for and seize goods, documents or things;

(2) to break open any outer or inner door of the place, premises or conveyance and enter every part thereof, if necessary, by force; and

(3) to remove, if necessary, any obstruction by force to enter, search or seize as empowered under the warrant.

Search without warrant

A senior officer may search, without warrant, any place, premises or conveyance if he has reasonable cause to believe that (i) there are concealed or deposited any goods, document or thing in the place, premises or conveyance which may be evidence of the commission of any offence under the GST Act; and (ii) it is likely that a delay in obtaining a search warrant may result in such goods, document or thing being removed.

 

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POWER OF ARREST

Arrest with warrant

An officer empowered by a warrant issued by a Magistrate in relation to any place, premises or conveyance, is authorised:

(1) to arrest any person in the place, premises or conveyance, who is in possession of the goods, document or thing or who may reasonably be suspected of concealing or depositing such goods, document or thing; and

(2) to detain, if necessary, every person found in the place, premises or conveyance until the search has been completed.

Arrest without warrant

An officer may arrest without warrant, any person:

(1) found committing, or attempting to commit, or employing or aiding any person to commit, or abetting the commission of, an offence under the GST Act;

> **“ a person who refuses to give any information reasonably required by an officer … commits an offence ”**

(2) whom he reasonably suspects, has in his possession any goods, document or thing liable to seizure under Part X; or

(3) whom he reasonably suspects, has committed an offence under the GST Act.

If an arrest without warrant is made, the officer making such arrest must bring the person arrested to the nearest police station without any unnecessary delay.

The officer may also search or cause to be searched any person so arrested. However, certain safeguards are afforded under the GST Act to the person to be searched, namely:

(1) the person arrested may request that he be searched in the presence of a senior officer, in which event, he is only to be searched in the presence and under the supervision of a senior officer;

(2) where the goods and baggage of a person are to be searched, he may request to be present at the search but must present himself within a reasonable time to enable the search to be conducted; and

(3) a person may only be searched by a person of the same gender, and such search must be conducted with strict regard to decency.

OBSTRUCTION, NON-COOPERATION AND FALSE INFORMATION

Having introduced the provisions that deal with the powers of enforcement of officers relating to search, arrest, access to premises and their power to stop and search conveyances, it is pertinent to highlight the two offences set out below.

It is an offence for a person to assault, hinder or obstruct or fail to give reasonable facilities or assistance to any officer in the performance of his duties under the GST Act. Upon conviction, such person shall be liable to imprisonment for a term not exceeding seven years, or to a fine not exceeding RM100,000.00, or to both.

Further, a person who refuses to give any information reasonably required by an officer, or gives false information to an officer, commits an offence. The penalty is a fine not exceeding RM30,000.00, or imprisonment for a term not exceeding two years, or both. It is not a defence for a person to allege that the untrue or incorrect information was furnished inadvertently or without criminal or fraudulent intent, or was misinterpreted or not fully interpreted by an interpreter provided by the informant.

SEIZURE OF GOODS

When an officer has reasonable cause to suspect that there has been an offence committed under the GST Act, he has the power to seize any goods, document or thing and any receptacle, package or conveyance in which the goods, document or thing may have been found, or which has been used in connection with the offence, as well as any other goods, document or thing which he reasonably believes may have a bearing on the case.

If such seizure has taken place, the officer must forthwith give written notice of the seizure and the grounds thereof to the owner, if known, of the goods, document, receptacle, package or conveyance, by delivering the notice to him personally or by post.

RETURN OR DISPOSAL OF MOVABLE GOODS

Where any movable goods have been seized, a senior officer has the discretion to return (temporarily or permanently), sell or destroy such goods.

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THE RULE OF REASON

Kok Chee Kheong explains the Standard Oil Case

The last few decades of the nineteenth century witnessed the consolidation of various industries, such as the steel industry, the tobacco industry, the sugar refining industry and the refining and transportation of oil, in the United States.

Advocates of 'progressivism', a nascent reform movement whose principal aims included consumer protection and social justice, were concerned that the large industrial enterprises that emerged from the consolidation would evolve into monopolies to the detriment of the working class as well as the owners of small businesses who would be squeezed out of the market.

The growing concern of the threat posed by these industrial behemoths gained momentum and led to the passing of the Anti-Trust Act 1890, commonly described as the Sherman Act, after John Sherman, the Republican Senator from Ohio who had initiated the bill.

THE SHERMAN ACT

The main prohibitions in the Sherman Act are found in sections 1 and 2.

Congress of the United States of America

AN ACT

The first page of the original manuscript of the Sherman Act

Section 1 declares every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce, among several States, or with foreign nations, to be illegal.

Section 2 renders it an offence for any person to monopolise, or attempt to monopolise, or combine or conspire with any other person or persons, to monopolise any part of the trade or commerce, among several States, or with foreign nations.

Apart from the imposition of fines, the courts were given powers under section 4 to prevent and restrain violations of the legislation.

THE STANDARD OIL LEVIATHAN

Standard Oil came into existence in 1870 when John D Rockefeller, a bookkeeper turned oil refiner, combined two firms, Standard Works and Excelsior Works, to form the Standard Oil Company of Ohio.

The company grew rapidly through vertical and horizontal integration to become the largest refiner and transporter of oil in the United States. In January 1882, Rockefeller and his cohorts established the Standard Oil Trust and vested stocks of the various companies and other assets in trustees for the benefit of its members.

With the coming into force of the Sherman Act, the Standard Oil Trust was dissolved in 1892. However, in 1899, the companies were consolidated under the Standard Oil Company of New Jersey ("SONJ"), a corporation formed in the State of New Jersey which had recently revised its laws to permit the establishment of holding companies.

According to a Government report produced in 1907, SONJ and its subsidiaries controlled about 90% of the business of refining, transporting and selling petroleum products at home and abroad. The group was more than 20 times larger than its closest competitor and controlled more than 4,000 miles of pipelines and more than 5,000 railroad tank cars for transporting oil.

THE FEDERAL CIRCUIT COURT CASE

On 15 November 1906, the Roosevelt Administration charged SONJ and 70 companies and partnerships under its control, as well as seven individuals, including Rockefeller, in the Federal Circuit Court in Missouri with monopolistic conduct in violation of the Sherman Act.

The Government framed its allegations of misconduct into three periods: the first, from 1870 to 1882; the second, from 1882 to 1899; and the third, from 1899 to the filing of the action.

The Government alleged that the Standard Oil companies had monopolised the oil industry and conspired to restrain trade through various malpractices, including predatory pricing, obtaining illegal railroad rebates and drawbacks and abuse of the pipelines which they controlled.

The defendants denied the charges and contended that their success was the result of lawful competitive methods and modern management and production methods which reduced production and distribution costs. Any wrongdoing, the defendants argued, was the exception rather than the rule, and in most cases, the result of excessive individual zeal.

At the end of a trial which lasted for more than two years and involved the testimony of 444 witnesses and production of 1,371 exhibits, the four judges of the Federal Circuit Court held that the seven individual defendants, SONJ and 37 other defendant companies had violated sections 1 and 2 of the Sherman Act as the combining of stocks of various companies under SONJ in 1899 constituted a combination in restraint of trade and was an attempt to monopolise and a monopolisation under section 2 of the statute. Amongst other orders, the court ordered SONJ to divest its ownership of the said 37 defendant companies. The case against the other defendant companies was dismissed.

The defendants who were found to have violated the Sherman Act appealed.

THE SUPREME COURT DECISION

On 15 May 1911, Chief Justice Edward White delivered the

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opinion of the Supreme Court (221 U.S.1).

Before addressing the four main issues, the Chief Justice overruled the appellant's contention that the Federal Circuit Court, in considering the alleged conduct which occurred before the passage of the Sherman Act, had committed a prejudicial error which warranted a reversal of the trial court's judgment. The judge said that the Federal Circuit Court, as well as the Supreme Court, did not give any weight to the conduct which occurred during the first and second periods except insofar as such conduct threw light upon acts done after the Sherman Act was passed.

The Chief Justice then proceeded to deliver the court's opinion on the four issues.

The meaning of the text of the Sherman Act

The learned judge observed that the law in the United States in relation to restraint of trade was very similar to the common law of England. He then briefly traced the development of the law in both jurisdictions and concluded that prior to the passage of the Sherman Act, the doctrine of restraint of trade had evolved from prohibiting, without exception, all contracts which restrain trade to one which, in the interest of preserving the freedom to contract, prohibits only those contracts which operated as an undue restraint of trade.

According to the learned Chief Justice, the Sherman Act was enacted in the light of the law against restraint of trade as it existed at that time and it was not the intention of Congress to restrain the right to make and enforce contracts which did not restrain interstate or foreign commerce, but to protect such commerce from contracts or combinations by methods which constitute an undue restraint upon it.

Chief Justice White then declared that the Sherman Act contemplated and required a standard of interpretation, and it was intended that the standard of reason which had been applied at common law should be applied in determining whether particular acts fell within the prohibition in the statute. In other words, a restraint would be in violation of the statute only if it was unreasonable and worked against public interest.

In the judge's opinion, section 2 of the Sherman Act supplemented section 1 to ensure that the public policy embodied in section 1 was not frustrated or evaded. In essence, section 1 forbids all means of monopolising trade, that is unduly restraining it (trade), and section 2 makes such prohibition more complete and perfect by embracing all attempts to reach the end prohibited by section 1. According to the learned judge, when section 2 is so harmonised with section 1, it became evident that the criteria to be adopted to ascertain whether the section has been violated, is the rule of reason.

The Government's contention

The court then considered the Government's argument that the statute prohibited every contract or combination that restrains trade and its text leaves no room for the exercise of judgment. The Chief Justice opined that the cases relied upon by the Government did not sustain its contention as the cases, with the exception of *United States v Trans-Missouri Freight Association* 166 U.S. 290 and, arguably, *United States v Joint Traffic Association* 171 U.S. 505, rested upon the premise that reason was the guide by which the provisions of the statute were interpreted. Thus, the Chief Justice concluded that the rule of reason had to be applied in every case where it was claimed that an act violated the statute.

In the *Trans-Missouri Case*, the Supreme Court had held that every contract in restraint of trade is invalid. The apex court in the *Joint Traffic Case* followed the decision in the *Trans-Missouri Case* due to the similarity in the facts of those cases, but acknowledged that certain contracts did not amount to restraint of trade and that the statute applied only to contracts whose direct and immediate effect is a restraint on interstate commerce.

The Chief Justice concluded that the decisions in *Trans-Missouri Case* and the *Joint Traffic Case* must henceforth be qualified to the extent that the language in those cases conflict with the construction given to the Sherman Act in the instant case.

The application of the statute to the facts

According to the court, the unification of power and control over a commodity, such as petroleum and its products, by combining the stocks of many corporations in one corporation, namely SONJ, gave rise, of itself, to the *prima facie* presumption of an intention to dominate and control the movement of those products in the channels of interstate commerce in violation of the Sherman Act.

This presumption, in the opinion of the learned judge, was made conclusive by the proof of specific acts of the defendants. According to Chief Justice White, "*We think no disinterested mind can survey the period in question [since 1870] without being irresistibly drawn to the conclusion that the very genius for commercial development and organisation which it would seem was manifested from the beginning soon begot an intent and purpose to exclude others … from their right to trade and thus accomplish the mastery which was the end in view.*"

With the above remark, the Supreme Court appears to have given little weight to the appellants' contention that their success had been achieved through modern management and production methods.

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TUG OF WAR

Shannon and Suet Mey review three recent disputes between developers and joint management bodies over ownership of common property

Enticed by the prospects of greater security, artists' impressions of stylish common facilities like infinity pools and sky lounges with panoramic views, professional standard gymnasiums, well-appointed clubhouses, multi-purpose halls and outdoor barbeque areas, as well as advertisements that promote luxurious or resort-style living, an increasing number of homebuyers in Malaysia are setting up homes in high rise condominiums.

To facilitate the management and maintenance of common property in condominiums and landed strata developments, the Strata Titles Act 1985 ("STA") provided for the establishment of management corporations comprising of members who are elected by the owners of units within the development.

An inherent weakness in the STA is that a management corporation can only be established after strata titles have been issued and a quarter of the aggregate share units have been transferred to the owners – a process which can take many years.

To address the aforesaid shortcoming of the STA, the Government introduced the Building and Common Property (Maintenance and Management) Act 2007 ("BCPA") which provides a framework for the establishment of a joint management body ("JMB") which is tasked to manage and maintain common property in strata developments from the time of delivery of vacant possession by the developer to the purchasers until the management corporation is formed under the STA.

While the STA and the BCPA facilitate the establishment of bodies corporate to manage and maintain common property, a different problem has arisen lately when it transpired that developers or other parties have claimed ownership over facilities that purport to be common property in a strata development.

This article examines three recent cases where the Malaysian Courts had to consider the tussle between JMBs and parties claiming ownership to areas which have been earmarked as "common property" in strata developments.

JMB SILVERPARK SDN BHD v SILVERPARK SDN BHD & ANOR [2013] 9 MLJ 714

This dispute concerns the status of a clubhouse located in the Silverpark Apartments in Fraser's Hill, Pahang Darul Makmur. The plaintiff, JMB Silverpark Sdn Bhd ("JMB Silverpark"), contended that the clubhouse was "common property" for the use and enjoyment of the residents, whilst the developer alleged that it was the owner of the same.

JMB Silverpark applied for, *inter alia*, declarations that (i) the clubhouse described in the sale and purchase agreements ("SPA") between the purchasers and the developer was "common property" as envisaged under the BCPA and the STA; and (ii) the developer was occupying the clubhouse as a trespasser. JMB Silverpark also sought an order to compel the developer to deliver the clubhouse to it.

The Court examined the terms of the SPA and the statutory provisions of the STA and the BCPA in order to determine whether the clubhouse was common property.

Firstly, the Court held that "common property" was defined widely in the SPA so as to cover the clubhouse and that the Second Schedule of the SPA had described the clubhouse as a common facility of the development. The Court also found ample evidence to show that the purchasers were using and enjoying the common facility of the clubhouse in line with the terms of the SPA.

Next, the Court held that the clubhouse fell within the more exhaustive definition provided in section 2 of the BCPA, which defined "common property" as *"so much of the development area as is not comprised in any parcel … and all other facilities and installation and any part of the land used or capable of being used or enjoyed in common by all the occupiers of the building."*

Finally, the Court examined section 4 of the STA, which defined "common property" to mean *"so much of the lot as is not comprised in any parcel (including accessory parcel), or any provisional block as shown in an approved strata plan."*

The developer contended that the clubhouse had never been sold. To support its contention, the developer produced the official site plan and location plan to show that there was a separate parcel for the clubhouse. However, the developer was unable to produce an approved strata plan as the draft strata plan was pending approval by the relevant authorities. In the absence of concrete evidence in the form of an approved strata plan to prove that the clubhouse was included in any parcel, or in any provisional block, or was a separate plot owned by the developer, the Court held that the clubhouse was common property according to section 4 of the STA.

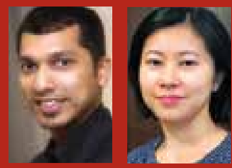
In the light of the above, the Court found in favour of JMB Silverpark.

IDEAL ADVANTAGE SDN BHD v PALM SPRING JMB & ANOR [2014] 7 MLJ 812

This case concerns the status of 439 car parking lots situated at the Palm Spring Condominium in Kota Damansara, Selangor Darul Ehsan.

Ideal Advantage Sdn Bhd ("Plaintiff") purchased 45 units of condominium in the Palm Spring Condominium together with 439 accessory car park parcels ("accessory parcels") from the developer. After delivery of the vacant possession of the units, the Plaintiff proceeded to operate a car park rental business by renting out the 439 accessory parcels to residents and tenants of the condominium. This resulted in an acute shortage of car parks at the condominium.

After the first defendant had notified the residents to channel all



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car park rental payments to it and that it would not recognise the receipts issued by the Plaintiff, the Plaintiff sought a declaration and/or an injunction to restrain the defendants from collecting rentals for the 439 accessory parcels attached to its 45 units of condominiums. The first defendant refuted the Plaintiff's claim and alleged that 213 accessory parcels were visitors' car parks, which were common property within the context of the STA.

The defendants also contended that the Plaintiff's claim to ownership of the accessory parcels was illegal and in contravention of the STA, the BCPA and the Town and Country Planning Act 1976 ("TCPA").

The defendants referred to the development order which, *inter alia*, stipulated that each condominium unit was to be allocated with one accessory parcel and that 10% of the 2,449 car parks were to be reserved as visitors' car parks. The defendants contended that there had been a clear breach of the development order, which was made pursuant to the TCPA, as only five units of the condominiums purchased by the Plaintiff had been allocated with one accessory parcel each, whilst each of the remaining units purchased by the Plaintiff had been allocated between eight to fifteen accessory parcels.

The first defendant also claimed that the Plaintiff had breached sections 4, 34(2) and 69 of the STA. The STA envisaged that the accessory parcels shown in a strata plan are to be used in conjunction with the main parcels and are not to be dealt with or disposed of independently of the main parcel. The defendant submitted that the Plaintiff's intention was not to use the accessory parcels in conjunction with its 45 units of condominiums, but to use the same independently and separately by renting them out to persons other than those occupying the 45 condominiums.

The Plaintiff argued that its title was indefeasible under the National Land Code 1965 ("NLC") in respect of 394 accessory parcels that were attached to the 39 strata titles which had been registered in its name. The strata titles for the remaining six units were in the process of being transferred to the Plaintiff.

During the trial, the Plaintiff's witness admitted that the accessory parcels had been given free to the Plaintiff by the developer due to the closed relationship between the Plaintiff and the developer.

The Court held in favour of the defendants. It upheld the first defendant's contention that the Plaintiff had breached section 34(2) of the STA. According to the Court, the phrase "dealt with" in section 34(2) of the STA, which prohibits any rights in an accessory parcel from being dealt with or disposed of independently of the main parcel, was wide enough to encompass the act of renting the accessory parcels to tenants who were not occupants of the condominium units owned by the Plaintiff.

More significantly, the Court was of the view that the sale of the 439 accessory parcels by the developer to the Plaintiff together with 45 condominium units with the object for these parcels to be used commercially was void and unenforceable under section 24 of the Contracts Act 1950. The Court further held that it was against the spirit and intent of the TCPA and illegal for the Plaintiff to own such a substantial number of accessory parcels for the purpose of operating a car park rental business at the condominium.

Consequent on its decision that the sale of the 394 accessory parcels was unlawful as being in contravention of the TPCA and the Contracts Act 1950, the Court held that the Plaintiff had unlawfully acquired such titles from the developer. As the Plaintiff was unable to satisfy the Court that it had obtained title to the accessory parcels in good faith and for valuable consideration, its title to those accessory parcels was not indefeasible under the NLC. Hence, the Court held the transfer of the accessory parcels by the developer to the Plaintiff to be void.

MALAYSIA LAND PROPERTIES SDN BHD v WALDORF & WINDSOR JMB [2014] 3 MLJ 467

Malaysia Land Properties Sdn Bhd ("Appellant") was the owner and developer of a piece of land in Sri Hartamas, Kuala Lumpur, on which Waldorf & Windsor Tower ("W&W Tower") had been built. The Appellant claimed that the JMB of W&W Tower ("Respondent") had trespassed onto a part of the 7th floor of the W&W Tower by occupying it as its management office.

The Appellant claimed to be the registered owner of the entire 7th floor by virtue of a strata title and that the disputed area, which included a movie room, karaoke room, lifts and the management office, was not common property but was privately owned by it. The Respondent denied trespass and claimed that the disputed area was part of the common property of W&W Tower and that it had the legal right to occupy the same.

The Appellant applied for various reliefs, including (i) a declaration that it owned the disputed area; (ii) an injunction to compel the Respondent to remove its office; and (iii) damages for trespass.

The Respondent filed a counterclaim, seeking, *inter alia*, declarations from the Court that (i) the Appellant's right, title and interest in and to the disputed area were not indefeasible; (ii) the registration of the disputed area ought to be cancelled on the grounds of fraud and misrepresentation; and (iii) the disputed area formed part of the common property.

The Court of Appeal held that the disputed area formed part of the common property of W&W Tower as the entire 7th floor was

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THE RISK OF BEING INDOLENT

Syafinaz Vani explains a recent Court of Appeal decision on lien-holder's caveats

The recent case of *Wong Kok Leong and Another v RHB Bank Berhad* [2014] 1 LNS 1092 was an appeal against the High Court's refusal to order the defendant, RHB Bank Berhad ("Respondent"), to return to the Appellants, the original titles to properties belonging to the Appellants, which were being held by the Respondent based on lien-holder's caveats entered against those properties.

BACKGROUND FACTS

The Respondent's Foreclosure Proceedings

The history of this case is extensive. In essence, the Respondent had lodged lien-holder's caveats in respect of the Appellants' titles in 1991. After 13 years, the Respondent filed an application to foreclose the properties held under the lien-holder's caveats.

The Respondent's application was dismissed by the High Court as it had not obtained a judgment against the Appellants before enforcing the lien-holder's caveats, as required under section 281(2) of the National Land Code 1965 ("NLC") which provides that *"Where the holder of any lien has obtained judgment for the amount due to him thereunder, he shall be entitled to apply to the Court for, and obtain forthwith, an order for the sale of the land or lease."*

"a caveat *per se* cannot be equated to a cause of action but is only a statutory injunction"

The Court emphasized on the need for the Respondent to comply with section 281 of the NLC to crystallise its cause of action by filing a suit and obtaining a judgment against the Appellants before commencing foreclosure proceedings as provided in the same section. If the Respondent failed to do so, and the limitation period had set in, section 331 of the NLC would apply and enable the Court to grant various reliefs to an aggrieved party, including an order that the lien-holder's caveat be cancelled.

The Appellants' application at the High Court

The Appellants then filed an application in the High Court seeking, *inter alia*, the following reliefs:

(a) a declaration that no legal action can be brought by the Respondent against the Appellants to recover the debts owed in relation to the lien-holder's caveats entered by the Respondent against the Appellants' properties in view of the time limitation under the law;

(b) that the lien-holder's caveats entered by the Respondent be removed;

(c) that the Respondent returns the original titles to the Appellants or to their solicitors; and

(d) that the Registrar of Titles or the Land Administrator, as the case may be, makes an entry in the register documents of title of the removal of the lien-holder's caveats in respect of the Appellants' properties.

According to the Appellants, the Respondent had granted a loan to a developer and the Appellants had provided the titles to the properties to the Respondent as security for the loan. As the Respondent had terminated the loan granted to the developer in 1989, the Appellants contended that the Respondent's cause of action, if any, against the Appellants would have arisen in 1989 upon the termination of the loan by the Respondent.

The Appellants contended that the Respondent had sat on its rights and limitation had set in, resulting in the Respondent being time-barred from proceeding with an action to obtain a judgment against the Appellants. As the cause of action relating to the lien-holder's caveats had not been crystalized within the time frame provided under the Limitation Act 1953, the prerequisite for the enforcement of the lien-holder's caveats provided under the NLC could not be satisfied. Therefore, the Respondent, not having the right to proceed to foreclose the properties relating to the lien-holder's caveats, should return the original titles of the properties to the Appellants.

"the law does not permit a caveat ... to be sustained if the said rights are not capable of being protected under the law"

The Appellants' application was dismissed by the High Court. The Judge, relying on *Sakaap Commodities (M) Sdn Bhd v Cecil Abraham* [1998] 4 CLJ 812, held that the Appellant could not rely on limitation as a cause of action to seek the return of the original titles by reason that limitation is available only as a defence to an action.

THE APPEAL

The Appellants appealed to the Court of Appeal. The Court of Appeal held that *Sakaap Commodities* was not relevant. Hamid Sultan JCA, citing the Privy Council decision of *Eng Mee Yong & Ors v Lechumanan* [1979] 2 MLJ 212, emphasised that a caveat *per se* cannot be equated to a cause of action but is only a statutory injunction to preserve rights which have not been crystallised by due process of law.

The learned Judge emphasised that the law does not permit a caveat which has been lodged to be sustained if the said rights are not capable of being protected under the law for various reasons, including laches, i.e. unreasonable delay in asserting a claim.

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Among the cases cited was *Lim Ah Moi v AMS Periasamy a/l Suppiah Pillay* [1997] 3 MLJ 323, where the Court of Appeal held that by reason of the far-reaching effect of a caveat as a statutory injunction, it was vital that claims made by a caveator are enforced by action without undue delay. The Court also held that in hearing an application to remove a caveat, the Court would be guided by the justice of the case.

Hamid Sultan JCA further observed that, based on the cases reviewed by His Lordship, a caveat is not intended to assist the indolent. According to His Lordship, there are sufficient authorities, including *Perwira Habib Bank (M) Bhd v Loo & Sons Realty Sdn Bhd & Anor (No. 2)* [1996] 3 MLJ 421, which showed that once a lien-holder's caveat is not sustainable in law, the Court can order the title to be returned to the registered owner.

> **“ a caveat is not intended to assist the indolent ”**

As time limitation in respect of the Respondent's claim had set in and thereby precluded the Respondent from obtaining a judgment which was a prerequisite for commencing foreclosure proceedings in relation to the lien-holder's caveats under section 281 of the NLC, the Court allowed the appeal and ordered that the lien-holder's caveats lodged by the Respondent be removed from the register documents of title to the Appellants' properties and that the removal of such caveats be noted in the register documents of title in respect of the Appellants' properties. The Court also ordered the Respondent to return the original titles to the Appellants.

CONCLUSION

This case re-emphasises that a caveat is a form of statutory injunction, and not a cause of action. It also serves as a reminder to holders of lien-holder's caveats that undue delay in pursuing their rights under such caveats could result in the lien-holder's caveats being removed by the Courts.

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TUG OF WAR

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initially planned and approved as a floor for common facilities and that the building plans for the same did not provide for any commercial area. The Court observed that if the 7^{th} floor was in fact intended to be a commercial area to be sold at some point in time, it would have been part of the stock in trade of the Appellant and entered into its accounts as fixed assets for tax purposes. In this regard, the Court found that the Appellant had failed to produce any accounting records to show that the disputed area formed part of its stock in trade.

The Court also reviewed the Appellant's sales brochure together with the sale and purchase agreement (“Agreement”). These documents showed that the common facilities were to be located on the entire 7^{th} floor and not merely confined to the disputed area, whilst the commercial areas were to be on the ground, 1^{st} and 2^{nd} floors only. As the Court found that the 7^{th} floor was initially designated as common property, it held that the Appellant was not entitled to invoke clause 43.1(f) of the Agreement to de-designate the disputed area and convert it for its own benefit after the performance of the Agreement had been completed *viz.* the delivery of vacant possession of the condominium units to the respective purchasers.

The Court was of the view that the Appellant had obtained the strata title through fraud and/or misrepresentation perpetrated on the land office and the Department of Survey and Mapping Malaysia (JUPEM) by submitting plans and drawings which showed that the entire 7^{th} floor was private property. Accordingly, the Court concluded that the Appellant's right, title and interest in and to the disputed area were not indefeasible. As the Appellant was not the rightful owner of the disputed area, the Respondent was not liable for committing trespass by constructing the management office in that area.

CONCLUSION

It can be seen from the above cases that the Courts, in determining whether an area within a property development is “common property”, would examine the provisions in a variety of instruments, such as the BCPA, the STA, the NLC, the development order, the sale and purchase agreement and the sales brochure, in order to establish the original intent of the use and purpose of that area. The Courts have adopted this meticulous approach to ensure that the developers do not detract from what was represented and promised to the purchasers during the sales stage.

The JMBs may have won the early battles over the ownership of common property, but it does not necessarily mean that they will prevail in every dispute that may arise over such property in the future.

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SINGAPORE CRACKS DOWN ON ONLINE GAMBLING

Maroshini K Morgan examines the Remote Gambling Act 2014

Earlier this year, Singapore grabbed headlines when an anti-gambling advertisement it released to coincide with the World Cup backfired spectacularly. The ad featured a young boy forlornly telling a friend, "*I hope Germany wins. My dad bet all my savings on them.*"

Notwithstanding the hilarity that ensued when Germany did in fact win the World Cup, the advertisement carries (or attempts to carry) a serious message: gambling, including online gambling, can be dangerous and destructive.

Online gambling, which is becoming an increasingly popular means to carry out sports and other forms of betting, is seen to be particularly hazardous due to the ease with which addicts can access gambling websites and the lack of regulation in place governing online gambling forums. Accordingly, Singapore has added the Remote Gambling Act 2014 ("RGA") to its arsenal of anti-gambling legislation to curb this form of gambling.

This development is particularly pertinent to us here in Malaysia as the Attorney General ("AG") had remarked on 28 October 2014 that his office intends to propose revisions to Malaysia's existing anti-gambling regime to tackle online gambling. At present, while gambling is deemed illegal in Malaysia except in certain limited cases, for example where gaming operators have been duly licensed, there are no laws that specifically address online or remote gambling.

> **" The RGA ... criminalises all forms of unlicensed remote gambling in Singapore "**

If the AG's office follows through to develop anti-online gambling legislation, it is highly likely that regard will be had to the RGA. Below we take a deeper look at the RGA, whose provisions may give an indication as to the nature of any upcoming Malaysian laws governing online gambling.

BACKGROUND

Akin to Malaysia, public gambling is generally (save for at licensed casinos or via certain state-run organisations) prohibited in Singapore. However, this prohibition is by virtue of pre-Internet-era laws that contain no references to gambling conducted online. It was therefore unclear if, and to what extent, these laws apply to online gambling.

Clarifying the situation, the RGA, which was passed by Parliament this past October and which is set to come into force in 2015, criminalises all forms of unlicensed remote gambling in Singapore.

WHAT IS REMOTE GAMBLING?

Gambling

Firstly, the term 'gambling' is defined in Section 4 of the RGA as betting, gaming (further defined as *"playing a game of chance for money or money's worth"*) or participating in a lottery. 'Gambling services', pursuant to Section 4, includes services for the conduct of a public lottery, for the placing and accepting of bets, and for the conduct of a game of chance where the game is played for money or money's worth and a customer gives or agrees to give money or money's worth to play or enter the game.

Given that 'money's worth' is defined to include *"virtual credits, virtual coins, virtual tokens, virtual objects or any similar thing that is purchased within, or as part of, or in relation to a game of chance"*, commentators have pointed out that the definitions of 'gambling' and 'gambling services' are wide enough to capture video games or social network games which contain elements of virtual credit. Although the Singapore Government has stated that the RGA is not intended to apply to social games wherein players do not win real money or merchandise, it is to be noted that the language of the RGA grants the discretion to allow for the same.

Remote Gambling

In accordance with Section 5 of the RGA, 'remote gambling' *"means gambling in which a person participates by the use of remote communication, even if the gambling is done only partly by means of remote communication."*

> **" the RGA's reach extends beyond gambling conducted over the Internet "**

'Remote communication' refers to communication, through the Internet, telephone, television, radio or any kind of electronic or other technology which facilitates communication. Thus, the RGA's reach extends beyond gambling conducted over the Internet and may be wide enough to cover other forms of communication technology that may arise in the future.

'Remote gambling service' *"means a gambling service provided to customers for them to participate in gambling by the use of remote communication"* and includes the provision of facilities for remote gambling by others and the distribution of a prize offered in remote gambling in accordance with arrangements made by the provider or distributor, respectively.

Section 5(7) explicitly states that the provision or operation of facilities for network access or services relating to the transmission or routing of data is not deemed to be a remote gambling service. This should provide to comfort IT-service providers who would otherwise be considered as remote gambling service providers.

FALLING FOUL OF THE RGA

Essentially, the RGA makes it illegal for:

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(i) an individual in Singapore to carry out remote gambling (Section 8);

(ii) any person, in Singapore, to organise remote gambling, distribute a prize or money relating to remote gambling or facilitate participation by others in remote gambling (Section 9(2));

(iii) any person, whether inside or outside of Singapore, to facilitate the participation by an individual in Singapore in remote gambling, whether by organising, managing or supervising remote gambling or distributing a prize or money relating to remote gambling or assisting in any of the aforesaid activities (Section 9(1));

(iv) any person to provide a Singapore-based remote gambling service (Section 11(1)); and

(v) any person to provide, outside Singapore, a remote gambling service with a Singapore-customer link (i.e. where any of the customers is physically present in Singapore)(Section 10(1)).

> **“ the RGA makes is illegal for ... an individual in Singapore to carry out remote gambling ”**

In respect of the offence of providing a remote gambling service with a Singapore-customer link under Section 10(1), the provider has a defence if it did not know, ***and*** could not, with reasonable diligence, have ascertained, that the service had such a link. However, it is not easy to satisfy the second limb as the RGA requires the provider to, *inter alia*, inform prospective customers of Singapore’s prohibition of remote gambling services, and requires customers to contractually agree not to use the services in Singapore and to provide details to suggest that they are not in Singapore.

It is an offence under the RGA to employ a young person (i.e. a person below 21 years of age) in remote gambling or to invite, cause or permit a young person to remotely gamble in Singapore. It is also an offence to publish a remote gambling service advertisement or to promote remote gambling in Singapore.

AN ACT WITH TEETH

Offences under the RGA are punishable with fines or a term of imprisonment or both.

In order to overcome the difficulty of enforcing the provisions applicable to overseas-based offenders, the RGA provides for blocking orders, wherein authorised officers, including police officers or employees of the Media Development Authority of Singapore, are empowered to direct an Internet service provider of an offending online location to take reasonable steps to disable access to that online location.

Additionally, authorised officers can direct financial institutions or financial transaction providers to block certain payments by persons in cases where the officers are satisfied that such persons are participating or have participated in any unlawful remote gambling activity.

LICENSING UNDER THE RGA

The RGA allows the Minister to award to Singapore-based operators, if it is in the public interest to do so, certificates of exemption which would permit certified operators to provide remote gambling services with a Singapore-customer link. It is likely that such certificates of exemption will only be granted in limited circumstances as the RGA explicitly states that in granting such certificates, the Minister may have regard to, amongst other considerations, whether the operator is established in Singapore and whether the operator is a not-for-profit entity and distributes its funds to public, social or charitable purposes in Singapore.

> **“ authorised officers can direct financial institutions ... to block certain payments by persons ”**

CONCLUSION

The comprehensive range of offences and robust enforcement powers under the RGA grant the authorities the means to stamp out unlicensed online gambling in the city-state. Singapore clearly means business. It remains to be seen whether Malaysia will follow suit.

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EXPIRY OF COPYRIGHT

Alyshea Low discusses the legal issues that arise from the expiry of copyright

INTRODUCTION

Copyright protection afforded to works cannot be granted in perpetuity. Maintaining and ensuring the balance between the exclusive right of the copyright owner and the interests of the public to have access to the works is important. This term of protection is limited to a fixed duration and is dependent on the categories of the copyright work involved.

Copyright law in Malaysia is governed by the Copyright Act 1987 ("Act") which came into force on 1 December 1987. The Act has undergone various significant updates since then, with the latest amendments in 2012.

DURATION OF COPYRIGHT

Generally, for literary, musical and artistic work, section 17(1) of the Act provides that the duration of the copyright is the life of the author plus 50 years after his death. If the work is published after the death of the author, the copyright will subsist for 50 years from publication of the work. In the case of a joint work prepared by two or more authors, section 17(4) states that the computation shall start from the date of the author who dies last.

> "Generally … the Act provides that the duration of the copyright is the life of the author plus 50 years after his death"

Malaysia acceded to the Berne Convention for the Protection of Literary and Artistic Works ("Convention") on 28 June 1990. Article 7(6) of the Convention allows member countries to grant a term of protection in excess of what is stipulated in the Convention, which is generally 50 years. For example, in order to harmonise copyright laws of member countries in the European Union, the duration of protection has been extended from 50 to 70 years after the death of the author pursuant to amendments made by members of the European Union to their respective domestic laws in accordance with Articles 1 and 13(1) of Council Directive 93/98 ("Directive 93/98"). However, Malaysia has not taken steps to amend the Act to extend the duration of copyright as permitted under Article 7(6) of the Convention.

In the United States of America, federal law provides that the term of a copyright for an individual person is for the life of the author and 70 years after his death. For copyright work for hire and most institutional authors, e.g. companies and universities, the term of protection is 95 years from the first publication; or if not published, 120 years from its creation, whichever occurs first.

In the United Kingdom, Australia and Singapore, typically the work will be protected for either 70 years from the death of the author, or if published, 70 years from the date of the first publication.

WHAT HAPPENS AFTER THE EXPIRATION DATE?

When the term of a copyright expires, the work enters the "public domain". This simply means that the work becomes free and available for anyone to use, copy or reproduce for any purpose. The permission of the former copyright owner is also not required.

This is why the works of well-known writers like William Shakespeare, artists like Leonardo da Vinci and composers like Beethoven and Mozart can be copied, reproduced and used in varying forms.

EXTENSION, PLEASE?

There is no option for extending copyright protection; however, in certain instances copyright has been revived.

In *Butterfly Music Srl v Carosello Edizioni Musicali e Discografiche Srl (CEMED)* [1999] I-3939 *(Case C-60/98)*, the European Court of Justice ruled that certain musical works of Mina, an Italian singer, which had entered the public domain under the legislation previously in force, had again become protected as a result of the provisions of Directive 93/98 being transposed into national law. This ruling in effect restored and extended the terms of copyright on material previously in the public domain.

> "there are no provisions in Malaysia granting extension of copyright protection"

In the United States, President Clinton signed the Copyright Term Extension Act ("CTEA"), also known as the Sonny Bono Copyright Term Extension Act, in 1998. The CTEA retroactively extended copyright protection. As a result, the rights to 20th century iconic works such as "*Gone With the Wind*" and "*Citizen Kane*" were protected for an additional 20 years.

Unlike the examples cited above, there are no provisions in Malaysia granting extension of copyright protection.

The subject of copyright existing in an updated work is more complex and dependant on the facts of each case.

In *Hyperion Records Limited v Sawkins* [2005] EWCA Civ 565, Dr Lionel Sawkins, a musicology scholar of high repute, prepared four performing editions ("performing editions") of the works of Michel-Richard de Lalande, the principal composer in the Courts of Louis XIV and Louis XV. Lalande was born in 1657 and died in 1726. Thus, any copyright that may have subsisted in his music in the United Kingdom would have expired long ago.

Sawkins' work involved the gathering of surviving manuscripts and prints and the choice of the most appropriate version, the insertion of missing material, and the re-composition of

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missing bars. In total, Sawkins spent 1,200 hours working on the performing editions and made 3,000 editorial interventions to the performing editions.

When Hyperion, the record company denied Sawkins' copyright in the performing editions and refused to pay him royalties, Sawkins brought proceedings for infringement of copyright. The Court of Appeal, approving the High Court decision, held that there is copyright protection in the performing editions. At this juncture, it is important to note that Sawkins did not claim copyright in Lalande's music, but claimed copyright in the performing editions which incorporated new work *"sufficiently original in terms of the skill and labour used to produce it"*.

ELEMENTARY, MY DEAR WATSON

This is probably the most famous quote attributed to *uber-*detective, Sherlock Holmes. The character itself inspired countless films and television adaptations. But the truth of the matter is, Sir Arthur Conan Doyle never wrote those exact words in any of his 56 short stories or 4 novels which starred his fictional detective. This quote was used by author P.G. Wodehouse in the 1915 novel, *Psmith, Journalist* where the writer, in no way, shape or form referred to the character, Sherlock Holmes.

“ the alterations do not revive the expired copyrights on the original characters ”

Under U.S. copyright law, works published before 1 January 1923 no longer have copyright protection. This was to embroil the estate of Doyle, who had died in 1930, in a legal dispute which involved the famous detective.

The latest decision of the U.S. Supreme Court in *Conan Doyle Estate, Ltd v Leslie S. Klinger* No. 14-316 reaffirmed the ruling of the 7th U.S. Circuit Court in June 2014. The Conan Doyle Estate had demanded from author, Leslie Klinger, the sum of $5,000 for the right to publish a book of new short stories featuring characters and elements from Doyle's work. Klinger refused, arguing that he should be free to publish as the 50 original Doyle stories now in the U.S. public domain, include all key characters and story elements. The Conan Doyle Estate insisted that, until expiration in 2022, Sherlock Holmes remains a "*single complex character*" who cannot "*be dismantled*".

The Circuit Court agreed with Klinger's arguments and said that 50 of Doyle's works featuring the famed fictional detective that were published before 1923 are in the public domain.

In a final attempt, the Conan Doyle Estate filed a petition for a writ of *certiorari* with the Supreme Court, arguing that the later stories of Doyle had changed or altered the main features of the two central characters.

In early November 2014, the Supreme Court declined to hear an appeal filed by the Conan Doyle Estate and dismissed the case. The Supreme Court said that only the last 10 works published between 1923 and 1927 have copyright protection expiring after 95 years. Those 10 works deserved protection, but the original character of the famous detective and his sidekick, Dr Watson, were no longer subject to copyright protection. Copyright protection in these century-old literary characters could not be extended simply by changing their features in later stories.

Thus, based on the ruling of the U.S. Supreme Court, writers are free to depict Sherlock Holmes in new mysteries without the need to seek permission or paying license fees, with the exception of the 10 works which are still protected by copyright. The Supreme Court said that "*when a story falls into the public domain, story elements, including characters covered by the expired copyright, becomes fair game for follow-on authors*". Notwithstanding the use of common characters in successive works, the copyrights of the original Sherlock Holmes and Watson characters from 1887 had expired. The existing copyrights in the 10 Sherlock Holmes stories only covered the features Doyle had added to the original Holmes and Watson characters. In other words, "*the alterations do not revive the expired copyrights on the original characters*".

FIGHTING A LOSING BATTLE?

The decision in the *Conan Doyle Case* has a definite impact on many popular serialized characters when the first works fall into the public domain. If the Conan Doyle Estate had succeeded in obtaining leave and won the appeal against the decision in the Circuit Court, it would have raised new questions and potential challenges in the cases of similar characters. For example, the UK copyright protecting Ian Fleming's James Bond novels which are due to expire in 2034.

The limited lifetime of copyright protection has achieved the purpose of balancing between the rights of the author and the rights of the public. By placing an end date to the period of copyright protection, the work is available to the public to adapt, alter and further enhance; allowing a continuous free flow of information and intellectual thought which will be of benefit to society.

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DEADLOCK IN MANAGEMENT

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in a position to determine whether the fees due to TSMP were reasonable and ought to be paid by TYC; this was a matter for TYC and its directors to decide.

COMMENTS

The decision in *TYC Investment* reinforces the general position that management powers, including the power to commence litigation, are the domain of the board of directors. Reserve powers of management are to be given to the shareholders only in exceptional circumstances: where it is necessary in order to overcome a deadlock in the board and where there is no contractual remedy available under the articles of association.

The scope of such reserve powers is narrow and fact-sensitive, and is to be determined by what is reasonably necessary to break the deadlock.

> "The scope of such reserve powers is narrow"

It is also clear from the decision that the articles of association of a company are paramount, and reserve powers to shareholders cannot empower the shareholders in general meeting to rewrite their obligations in relation to the directors and the company under the articles of association.

The position regarding such devolution of powers to the shareholders in general meeting has yet to be fully canvassed in the Malaysian Courts. As the division of powers between the board of directors and shareholders in general meeting under Malaysian law is substantially similar to that under Singapore law, the principles enunciated in *TYC Investment* will provide a useful guide for the Malaysian Courts in this area.

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STAR TROLLS: THE PATENT MENACE

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CONCLUSION

Unfortunately, patent law and civil litigation procedure is a long way from hindering the unethical and unscrupulous business models of patent trolls. Unless legislation changes to, say, include penalties for patent trolls or impose a mandatory utilisation of the patent before being allowed to enforce it, or the authorities are willing to take action on complaints by the businesses receiving such threats, such as the United States' Attorneys General, there is little that small businesses can do except settle a suit they can ill-afford to fight. In the meantime, much time and resources may be wasted in the patent wars, much of which should be spent on research to improve the technology instead.

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Endnotes –

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[7] "10 biggest patent troll targets in business". Roger Parloff, Fortune. 27 February 2014 Web 22 August 2014

[8] "How Apple and Microsoft Armed 4,000 Patent Warheads". Robert McMillan, Wired. 21 May 2012 Web 22 August 2014

[9] "Vermont and Nebraska Attorneys General Take Patent Trolls Head On". National Association of Attorneys General, NAAGazette. Web 22 August 2014

[10] This roughly means "The Monster (Troll) Under the Bridge" in Bahasa Malaysia.

[11] Media Release. Secretariat of the National SME Development Council. 11 July 2013

IS YOUR BUSINESS REALLY GST READY?

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A temporary return of movable goods is subject to the terms and conditions imposed by the senior officer, and subject in any case, to sufficient security being furnished to the satisfaction of the senior officer that the goods will be surrendered on demand being made by the senior officer and that the terms and conditions imposed will be complied with.

Any person, other than a guarantor or surety, who fails to surrender, on demand, to a senior officer the movable goods which have been temporarily returned to him, or fails to comply with any of the terms or conditions imposed by the senior officer, commits an offence. Upon conviction, a fine not exceeding RM10,000.00, or imprisonment for a term not exceeding one year, or both may be imposed.

CONFIDENTIALITY OF INFORMATION

Although Part X confers extensive powers on officers, the officers are subject to a duty of confidentiality. The GST Act provides that every person who has an official duty or is appointed or employed under the GST Act shall regard and deal with all documents, information, returns or declarations relating to the business, value of the supply of goods and services of any taxable person or value of imported goods, as confidential.

It is an offence for a person who has possession or control over such confidential information to communicate, or attempt to communicate, such information to any person, or to permit any person to have access to such information, except for the purposes of the GST Act or with express authority of the Director General. The penalty for committing such offence is a fine not exceeding RM30,000.00, or imprisonment for a term not exceeding two years, or both.

CONCLUSION

If there is one message to take home from this article, it is that the powers of enforcement conferred on officers under the GST Act is not an area to be overlooked in preparing for the implementation of GST. The entire business organization must understand the provisions on enforcement and exercise due care to avoid falling foul of any of the offences stated in the GST Act.

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THE RULE OF REASON

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The remedy to be administered

According to Chief Justice White, as a general rule, where it was found that the acts had been done in violation of the statute, it would be adequate to restrain the doing of such acts in the future.

However, where the condition which has brought about the violation of the statute, in and of itself, is not only a continued attempt to monopolise, but also a monopolisation, the duty to enforce the statute required the application of broader and more controlling remedies. The court was of the view that to meet a situation as that of the instant case, it was necessary to apply remedies which were two-fold in character: first, to forbid the continuance of the prohibited act; and second, to dissolve the combination whose existence violates the statute so as to neutralise the force of that unlawful power.

As the ownership by SONJ of the stocks of the other Standard Oil entities was a combination that violated section 1, and was an attempt to monopolise or a monopolisation contrary to section 2 of the Sherman Act, the Supreme Court upheld the decree of the Federal Circuit Court which ordered that the combination be dissolved.

Seven of the other judges of the Supreme Court concurred with the opinion of the Chief Justice, and the ninth judge, with the decision but not the reasoning.

THE DISSOLUTION

In furtherance of the Supreme Court's decision, the Standard Oil combination was dissolved through a distribution by SONJ of its stock holdings in the other appellant companies to its (SONJ's) shareholders on a proportionate basis. Several of the largest oil and gas companies in the world today, namely ExxonMobil, Chevron, Phillips 66 and the American arm of British Petroleum, bear the enduring legacy of having once been Standard Oil companies.

CONCLUSION

The *Standard Oil Case* did not give rise to the rule of reason. According to Chief Justice White, the rule had long existed in the United States as the basis for determining whether a contract that restrains trade is valid and had been applied in almost every case where it was claimed that an act violated the Sherman Act.

Nevertheless, the *Standard Oil Case* is noteworthy as it firmly established the rule of reason as the standard to be applied in determining whether the prohibitions in the Sherman Act have been violated.

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LEGAL INSIGHTS

A SKRINE NEWSLETTER

SKRINE WAS FOUNDED ON 1ST MAY 1963 AND IS TODAY ONE OF THE LARGEST LAW FIRMS IN MALAYSIA. SKRINE IS A FULL-SERVICE FIRM DELIVERING LEGAL SOLUTIONS, BOTH LITIGATION AND NON-LITIGATION, TO NATIONAL AND MULTINATIONAL CLIENTS FROM A BROAD SPECTRUM OF INDUSTRIES.

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This newsletter is produced by the LEGAL INSIGHTS' Editorial Committee. We welcome comments and feedback on LEGAL INSIGHTS. You may contact us at skrine@skrine.com for further information about this newsletter and its contents.

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