

LEGALLY SPEAKING

Trademarks Act 2019 and the Madrid Protocol

THE much awaited Trademarks Act 2019 came into force on Dec 27, 2019 replacing the earlier regime under the Trade Marks Act 1976. The enactment of this legislation marks the country's long overdue accession to the Madrid Protocol. This article addresses some of the key impact points that arise from this Act.

What is the Madrid Protocol?

The Madrid Protocol is an international treaty that allows a trademark owner in Malaysia to seek protection of their trademarks. This is possible in the 122 countries under the Protocol by filing a single application with the payment of a single fee. Malaysia's recent accession to the Madrid Protocol brings us on par with a majority of the countries worldwide and with our Asean neighbours including Singapore, Thailand and Indonesia.

Multiple-class applications

Trademark applications are filed according to the relevant international classes and the specification of goods or services to which the trademarks apply. Under the old regime in Malaysia, applicants could only apply for registration of a trademark in one class per application. The new regime now allows applicants to apply for more than one class of trademark registration in a single application making it a more efficient and cost-effective registration process.

Registration for Non-Traditional Marks and Collective Marks

The new Act extends registration of trademarks to non-traditional marks such as shape of goods or their packaging, colour, sound, scent, hologram, positioning, sequence of motion or any combination thereof, if they are capable of being represented graphically and capable of distinguishing the relevant goods or services from those of others. Such registration of non-traditional trademarks effectively provides business owners with wider protection against copycats.

The new Act also introduces the registration of collective marks. A collective mark is a trademark used by the members of an association to indicate membership in the association and to distinguish themselves from non-members. This means that organisations such as clubs, trade unions and societies can now apply to register their trademarks. An applicant of a collective mark is required to file an application according to the rules governing the use of the collective mark which include, for example, the persons authorised to use the collective mark and the conditions of membership of the association when applying for such trademark protection.

Security Interest

Under the new Act, business owners can now apply for their registered trademarks to be the subject of a security interest in the same way as other personal or moveable property. This should incentivise business owners to register their trademarks as they can then leverage on these to secure financing from financial institutions.

The rationale is that customers/clients identify a business by their trademark and/or trade name, and there is a positive correlation between the value of the trademark and the growth of business reputation. The recognition of registered trademarks as security interests can boost the inclination of financial institutions to give more weight to trademark ownership, and consequently to grant financing for this alternative form of security. Having said that, it is still too early to determine the impact this can have on the availability of such financing compared to conventional loans.

All in all, the new Act has introduced positive changes which are in line with the development of global market. Businesses in Malaysia are encouraged to take advantage of the more cost-effective way of registering their trademarks in multiple jurisdictions via the Madrid Protocol for wider protection globally. Further, trademark owners should apply to register their trademarks to enhance their ability to leverage their registered trademarks for financing.

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