

# I POTENTIAL



## THE LATEST ASEAN INTELLECTUAL PROPERTY UPDATE



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### Merry Christmas & Happy New Year

#### Greetings from Pintas IP Group

Pintas IP Group wishes you a joyous celebration and prosperous days ahead. Also, we are monitoring closely new directions from IP Offices in ASEAN countries.

In the interim, we are giving our best endeavors in ensuring operational continuity for your Asean IP needs through our customer service and e-services platforms, Pintas Digital Platform (eCommerce), and IP Hall Case Management System (management and monitoring module) accessible 24 hours every day.

Once again we thank you for your continued support in this uncertain time, our thoughts go out to those who have been affected by this difficult time and we pray for your good health and well-being.

## INDONESIA & SOUTH KOREA IP NEWS UPDATE

### Patent Prosecution Highway: Indonesia and South Korea



September this year (2023) the Directorate General of Intellectual Property (DGIP) of Indonesia and the Korean Intellectual Property Office (KIPO) signed a Memorandum of Understanding, introducing the Patent Prosecution Highway (PPH) programme which allows applicants to seek patent protection in Indonesia based on a granted Korean patent.

The PPH facilitates an expedited examination process for patent applications in Indonesia by utilizing the results of the substantive examination issued by the KIPO. This can significantly reduce the examination period from around two years (from the substantive examination request) to less than one year (from the PPH request).

Similar to the existing Indonesia- Japan PPH agreement, interested applicants may file a PPH requests after the Indonesian patent application is published and before the first office action is issued, and it must be accompanied by the official fee of IDR 5 million (approximately USD 320).

The MOU outlined the scope of cooperation between the DGIP and KIPO which involves enhancing the two countries' capacity, framework, protection, inspection, and utilization of intellectual property. Additionally, both nations will exchange information on increasing public awareness about the importance of intellectual property protection.



Contact Pintas today to learn more on how to utilize the Patent Prosecution Highway Programme to speed up your Patent Applications in Indonesia, Singapore and other countries which have similar programs available.



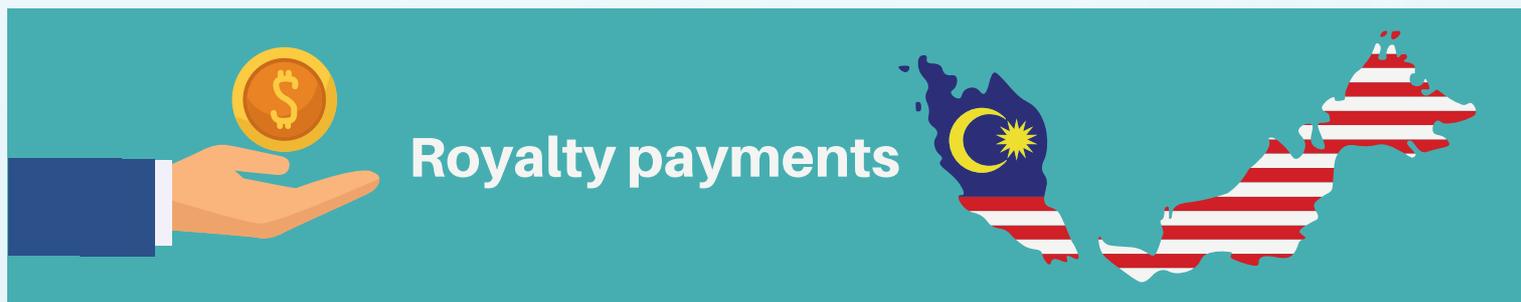
**MALAYSIA IP NEWS UPDATE****Inland Revenue Board (IRB) of Malaysia Guidelines on Tax for Copyright and Software Payments to Non-Residents**

Practice Note No. 3/2023, issued by the Inland Revenue Board (IRB) of Malaysia on December 5, 2023, establishes guidelines for cross-border transactions involving software and Intellectual Property (IP). This particular practice note provides comprehensive explanations into the tax considerations related to payments for copyrights and software made by distributors and resellers to non-resident entities.



The term "royalty" is defined in accordance with subsection 2(1) of the Income Tax Act 1967 (ITA), whereas the allowance for tax deductions related to royalty payments is stipulated in section 109 of the ITA.

Royalty payments and copyrighted material are intrinsically connected. When individuals or organizations seek to use someone else's protected work, they must obtain permission from the copyright owner. This permission is granted in exchange for a fee called a royalty payment. By facilitating this transaction, royalty payments enable the lawful usage of copyrighted material while ensuring that the original creator is appropriately compensated for their intellectual property. Understanding the intricacies of royalty payments and their significance in the world of copyrighted material is crucial for both creators and users of such content.



Remittances for software and copyright to a non-resident lacking a permanent establishment or business location in Malaysia are deemed as royalty and are subject to withholding tax pursuant to section 109 of the Income Tax Act (ITA). This holds true irrespective of the rights conferred upon the distributor or reseller by the software/copyright owner. Nevertheless, it is important to note that variations in the definitions of "royalty" and "permanent establishment" may arise. In the event of any discrepancies, it is advisable to refer to the Double Taxation Avoidance Agreement (DTA) agreed upon by the respective contracting countries.

With over two decades of experience, PINTAS is an Intellectual Property Firm dedicated to delivering services for the protection and commercialization of intellectual property throughout the ASEAN region. If you are interested in enhancing your knowledge of safeguarding and commercializing your intellectual property assets, feel free to reach out to us. Take advantage of the opportunity to arrange a complimentary consultation session today.

## MALAYSIA IP NEWS UPDATE

# Establishing Patent Portfolio with Utility Innovation Certificates in Malaysia

Patent portfolio is a collection of patents owned by the same applicant, which can be an individual, a company or an organization. It is important for protecting the applicant's investment in product research and development. Patent portfolio also attracts investors, bringing in more budgets for any future project. Besides, it can be used as leverage against or to counteract competitors, giving the applicant a competitive advantage in the marketplace. Furthermore, it is a valuable intangible asset to the applicant that can bring revenue to the applicant through patent licensing and even sale of patent portfolio.



Under the Malaysia Patents Act, two forms of patent rights protection are available for inventions and innovations. Patent protection can be obtained for any invention, which can be a product or a process that is new, involves an inventive step and is industrially applicable. Utility innovation certificates, on the other hand, can be obtained for any minor invention, which can be a new product, a new process or a new improvement of a known product or process that is new and industrially applicable. Both patent and utility innovation certificate provide exclusive rights to the applicants to exploit the claimed invention for commercial gain. Any other party who uses, produces, sells, or imports the claimed invention is considered infringing the patent and utility innovation certificate.



It takes years of efforts to build an effective patent portfolio. Most companies and organizations file patent applications to protect their inventions and utility innovations are often undervalued and underutilized. Many companies and organizations consider utility innovations to have less value and more difficult to enforce as compared to patents. Hence, they would either do nothing or only consider filing utility innovation when the new invention is a minor improvement of a known product or process. Companies and organizations would take longer time to build a patent portfolio if they only file patent applications for their inventions. Nevertheless, utility innovation certificates can be very useful for companies and organizations who wish to establish a comprehensive patent portfolio in Malaysia. This article will discuss in detail how the Malaysian utility innovation certificates provides a powerful and cost-effective tool in building a strong and well-rounded patent portfolio.

Unlike other countries where no examination is conducted for utility model application, both patents and utility innovations undergo the same prosecution process in Malaysia. This means the invention claimed in a utility innovation will be examined on the grounds of novelty and industrial applicability and a utility innovation certificate will be granted if no objection is raised by the examiner. As the utility innovation is substantively examined before grant, a granted utility innovation certificate will have a lower risk of being invalidated by a third party. In fact, a granted utility innovation is not easily invalidated as the requirement for utility innovation certificate is novelty and for novelty to be destroyed, each and every element of the claim must be disclosed in one single prior art. The 2020 local patent litigation between Emerico Sdn Bhd and Maxvigo Solution Sdn Bhd has proven that a granted utility innovation certificate cannot be invalidated on the grounds of common general knowledge that is required to determine non-obviousness of an invention. As Malaysia is a predominantly common law country, future litigations regarding the validity of granted utility innovation certificates are likely to refer to the judge's decision in the case of *Emerico Sdn Bhd v Maxvigo Solution Sdn Bhd* [2020] 1 LNS 206.

As the requirements for utility innovation certificate are less stringent than patent, utility innovation certificate can be obtained in a relatively shorter time provided the invention claimed in the utility innovation is novel, industrially applicable and does

not belong to the non-patentable subject matter. As companies and organizations can only initiate legal actions against competitors who allegedly infringe their inventions after the grant of a patent or utility innovation certificate, obtaining a granted utility innovation certificate within shorter time can be important for companies and organizations who adopt a more aggressive manner in enforcing their exclusive rights.



The utility innovation certificate in Malaysia can only cover a single claim per application. Nevertheless, as long as the single claim is well written to sufficiently cover the nature of the invention and include a novel feature of the invention, a granted utility innovation certificate is as strong as a granted patent and is not easily revoked as compared to patent. This provides an opportunity for companies and organizations to create a strong and comprehensive patent portfolio to safeguard a new invention by filing multiple utility innovation applications, each claiming a different novel feature of the new invention. When one granted utility innovation certificate covers only one novel feature of the new invention and there are a number of granted utility innovation certificates relating to the new invention, it leaves less room for competitors to design around the claims and bypass the utility innovation certificates, thereby allowing the owner of the utility innovation certificates to better enforce their exclusive rights. Furthermore, if a competitor is suspected of infringement, it is possible that the competitor allegedly infringes more than one granted utility innovation certificate in the portfolio, giving the owner of the utility innovation certificates the opportunity to claim higher infringement damages based on the number of infringed utility innovation certificates.

Furthermore, the term of protection of utility innovation certificate is similar to that of patent. While the term of protection for patent is 20 years from the date of filing, the term of protection for utility innovation certificate is initially 10 years from the date of filing and can be extended twice for additional 5 years each time, subject to the provision of proof of commercial or industrial use of the invention in Malaysia, or a satisfactory explanation of its non-use. Therefore, companies and organizations are entitled to their exclusive commercial exploitation of their inventions for a total of 20 years from the filing date, be it a granted patent or a granted utility innovation certificate.

In terms of cost, filing a new utility innovation application is cheaper than filing a new patent application. As applicants are not required to prove the non-obviousness of the invention claimed in a utility innovation application, the prosecution process for utility innovation application is easier and quicker. Consequently, the cost involved in the prosecution of a utility innovation application is cheaper than that of a patent application especially when multiple rounds of examination is required. Besides, the cost for maintaining a utility innovation certificate is lower than the cost for maintaining a patent.



When companies and organizations are considering to pursue patent rights in Malaysia, it is not necessary to file for a number of utility innovation certificates for a new invention at one time in order to achieve a comprehensive patent portfolio for the new invention. The recently amended Malaysia Patents Act allows applicants to voluntarily file a divisional application based on a parent application within 3 months from the issuance date of the first examination report, provided the parent application is still pending (not granted, refused, withdrawn or abandoned). When filing a divisional application, applicants may choose to file the child application as a utility innovation application. As Malaysia adopts the first-to-file system, local and foreign companies and organizations who wish to create a patent portfolio in Malaysia may consider filing a patent application in Malaysia first and dividing the patent application into multiple utility innovation applications later to cover different novel features of the invention.





When companies and organizations opt to divide their pending patent application in Malaysia into several utility innovations, they can start by identifying the potential novel features of the invention claimed in the parent application. Subsequently, they may file divisional utility innovation applications, each featuring a broad claim with just one of the novel features of the invention. This strategy ensures that each of the divisional utility innovations, once granted, will possess a comprehensive scope of protection, yet is strong enough and not easily revoked by competitors.

Nevertheless, companies and organizations have to take note that the non-patentable subject matters applicable to patents also apply to utility innovations. For example, inventions that cannot be protected by patent and utility innovation include: (a) discoveries, scientific theories and mathematical methods; (b) plant or animal varieties or essentially biological processes for the production of plants or animals, other than man-made living micro-organisms, micro-biological processes and the products of such micro-organism processes; (c) schemes, rules or methods for doing business, performing purely mental acts or playing games; and (d) methods for the treatment of human or animal body by surgery or therapy, and diagnostic methods practiced on the human or animal body.

In conclusion, utility innovation certificates are useful means for obtaining exclusive rights for new inventions and innovations in a cost-effective and time-efficient manner in Malaysia. Companies and organizations can create a strong and comprehensive patent portfolio in Malaysia by filing a number of utility innovation applications, with each application claiming one novel feature of a new invention.