

Malayan Law Journal Unreported/2019/Volume/HSL Plastics Sdn. Bhd. & Ors v Lim Kai Meng & Anor -
[2019] MLJU 305 - 8 April 2019

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HSL Plastics Sdn. Bhd. & Ors v Lim Kai Meng & Anor

HIGH COURT (KUALA LUMPUR)
WONG KIAN KHEONG, J
CIVIL SUIT NO: 22IP-45-11/2017
8 April 2019

*Cyndi Chow Li Kian, (Tham Jolene and Ong Hui Yi with her) (**Josephine**, LK Chow & Co.) for the plaintiff.*

Joel Lim Phan Hong (Cik Nur Muhaimin binti Mohd. Husaimi with him) (Joel & Mei) for the defendant.

Wong Kian Kheong J:

JUDGMENT

(After trial)

A. Introduction

[1] The plaintiff companies (**Plaintiffs**) are as follows:

- (1) the first plaintiff company (**1st Plaintiff**) manufactures plastic extrusion products and trades in moulds;
- (2) the second plaintiff company (**2nd Plaintiff**) manufactures and trades in plastic products and machinery; and
- (3) the third plaintiff company (**3rd Plaintiff**) manufactures plastic building materials and related products.

[2] The first defendant (**1st Defendant**) is -

- (1) a former shareholder and director of KM Extrusion Technology Sdn. Bhd. (**KMET**). KMET has been dissolved in 2014;
- (2) a former director of the 1st Plaintiff. The 1st Defendant is still a shareholder of the 1st Plaintiff; and
- (3) the 3rd Plaintiff's former Production Manager.

[3] The 1st Defendant is a shareholder and director of the second defendant company (**2nd Defendant**). The 2nd Defendant is in the business of export and import of plastic in primary forms.

[4] The Plaintiffs filed this suit (**Original Action**) against the 1st and 2nd Defendants (**Defendants**) based on the following three causes of action:

- (1) the 2nd and 3rd Plaintiffs claim copyright in the following works -
 - (a) "Computer-aided Design" (**CAD**) data,
 - (b) CAD drawings and
 - (c) physical articles and mould produced from CAD data and CAD drawings- as specified in Schedule A to the Plaintiffs' Statement of Claim (**Works**).

The 2nd and 3rd Plaintiffs allege that the Defendants have infringed their copyright in the Works under s 36(1) of the Copyright Act 1987 (CA);

- (2) the Defendants have infringed the 2nd Plaintiff's registered industrial design (**RID**) no.

- MY-14-00599-0101 (**2nd Plaintiff's RID**) under s 32(2) of the Industrial Designs Act 1996 (IDA). The pictorial representations of the 2nd Plaintiff's RID in the Register of Industrial Designs (**Register**) are reproduced in **Appendix A** to this judgment; and
- (3) the 1st Defendant has breached -
 - (a) his fiduciary and statutory duties owed to the 1st Plaintiff as its director; and
 - (b) his fiduciary and contractual duties owed to the 3rd Plaintiff as its Production Manager.

[5] The Defendants have counterclaimed as follows, among others:

- (1) the 2nd Plaintiff's RID is invalid and its registration should be revoked by this court under s 27(1)(a) IDA;
- (2) an order for the 1st Plaintiff to pay director's fees of RM13,599.99 which is due from the 1st Plaintiff to the 1st Defendant;
- (3) an order to compel the 2nd Plaintiff to pay a sum of RM97,101.44 to the 1st Defendant in consideration for the 1st Defendant's transfer of all his shares in the 1st Plaintiff to the 2nd Plaintiff (**Share Transfer Order**); and
- (4) as an alternative to the Share Transfer Order, the 2nd Plaintiff shall pay damages amounting to RM47,001.44 to the 1st Defendant.

(**Counterclaim**).

B. Issues

[6] The following questions arise in this case:

- (1) should the court pierce the corporate veil of KMET and the 2nd Defendant to reveal that the 1st Defendant is their *alter ego*, controller and "*directing mind and will*"?
- (2) whether copyright subsist in the Works and if "yes" -
 - (a) who owns copyright in the Works? This issue depends on whether the 2nd and 3rd Plaintiffs had commissioned KMET to create the Works pursuant to s 26(2)(a) CA; and
 - (b) have the Defendants infringed copyright of the 2nd and 3rd Plaintiffs in the Works under s 36(1) CA?;
- (3) regarding the 2nd Plaintiff's RID -
 - (a) whether the court should expunge the 2nd Plaintiff's RID from the Register pursuant to s 24(1)(a) IDA or revoke the registration of the 2nd Plaintiff's RID under s 27(1)(a) IDA on any one of the following grounds -
 - (i) the registered features of the 2nd Plaintiff's RID (**RID Features**) have no "*eye appeal*" as required under s 3(1) IDA;
 - (ii) the RID's Features are dictated solely by the function which the article embodying the 2nd Plaintiff's RID (**2nd Plaintiff's Article**) has to perform within the meaning of s 3(1)(b)(i) IDA; or
 - (iii) the 2nd Plaintiff's RID is not "*new*" within the meaning of s 12(1) and (2)(a) IDA; and
 - (b) if the 2nd Plaintiff's RID is valid, have the Defendants infringed the 2nd Plaintiff's RID under s 32(2) IDA?;
- (4) whether the 1st Defendant has breached fiduciary and statutory duties owed by him to the 1st Plaintiff as its director;
- (5) with regard to the 3rd Plaintiff -
 - (a) does the 1st Defendant owe any fiduciary duty to the 3rd Plaintiff as its Production Manager?; and
 - (b) has the 1st Defendant breached his implied contractual duty of fidelity owed to the 3rd

Plaintiff as its Production Manager?; and

- (6) whether the 1st Defendant is entitled to director's fees from the 1st Plaintiff and the Share Transfer Order.

C. Plaintiffs' case

[7] The Plaintiffs called the following witnesses to testify in this case:

- (1) Mr. Tan Ken Meng (**SP1**);
- (2) Mr. Liew Keng Seng (**SP2**); and
- (3) Mr. Kuek Wee Chien (**SP3**).

[8] SP1 gave the following evidence, among others:

- (1) the 2nd and 3rd Plaintiffs had commissioned KMET to create the Works;
- (2) SP1 and his partner, Mr. Lim Shen Lee (**Mr. Lim**), had "*recruited*" the 1st Defendant to be -
 - (a) a director and shareholder of the 1st Plaintiff; and
 - (b) the 3rd Plaintiff's Production Manager;
- (3) while the 1st Defendant was a director of the 1st Plaintiff and the 3rd Plaintiff's Production Manager, the 1st Defendant set up the 2nd Defendant on 11.11.2015 without the consent of the Plaintiffs;
- (4) the 2nd Defendant's business competed with the business of the Plaintiffs;
- (5) in May 2015, the 1st Defendant was dismissed as the Production Manager of the 3rd Plaintiff; and
- (6) the 1st Defendant resigned as a director of the 1st Plaintiff on 21.12.2015 (**1st Defendant's Resignation**). Prior to the 1st Defendant's Resignation, he entered the 1st Plaintiff's premises on 11.12.2015 and took away the soft copies of CAD data and drawings (part of the Works) which belonged to the 2nd and 3rd Plaintiffs [**Soft Copies (Works)**]. The 2nd and 3rd Plaintiffs could not produce plastic building materials and products with only hard copies of CAD drawings, physical articles and mould. The products of the 2nd and 3rd Plaintiffs can only be manufactured with the Soft Copies (Works).

[9] SP2 is a mould maker for about 30 years and is the sole proprietor of Hong Huat Mould Enterprise. According to SP2, among others -

- (1) SP2 manufactures plastic mould, stamping mould, injection mould and extrusion mould designs for his customers (**SP2's Services**);
- (2) SP2's Services are provided by using CAD software;
- (3) SP2 was engaged by the 3rd Plaintiff to fabricate extrusion based on drawings only (**3rd Plaintiff's Request**). SP2 informed SP1 that SP2 could not carry out the 3rd Plaintiff's Request because SP2 was not given the Soft Copies (Works);
- (4) when SP2 is commissioned by a customer to provide a mould design and the fabrication of a mould, upon full payment by the customer, SP2 would provide the customer with the following items -
 - (a) the soft copy of CAD data and drawings regarding the mould design would be handed to the customer in the form of a compact disc or pen drive;
 - (b) the hard copy of the CAD drawings of the mould design; and
 - (c) the physical mould produced from the CAD data and CAD drawings in question;
- (5) copyright in -
 - (a) the soft copy of CAD data and drawings regarding the mould;
 - (b) the hard copy of CAD drawing of the mould; and
 - (c) the physical mould

- would generally belong to the customer; and
- (6) SP2 would retain copyright in the soft copy of CAD data and drawings as well as the hard copies of the drawings if the customer only purchases the physical mould from SP2. In such cases, SP2 would only hand over the physical mould to the customers.

[10] SP3 is a practising architect who testifies as follows, among others:

- (1) SP3 is the principal of Kuek Wee Chien Architect and the Managing Director of a design firm, Archiconic Sdn. Bhd.;
- (2) SP3 has 16 years of experience as an architect; and
- (3) SP3 finds the 2nd Plaintiff's RID to be "*more attractive*" than the "*common*" square-shaped groove joints. SP3 stated that the 2nd Plaintiff's RID appeals to the eye and has an aesthetic element; and
- (4) according to SP3, the 2nd Plaintiff's RID is "*rather new*" and has "*material*" differences with all the RID's alleged by the Defendants to have been registered earlier than the 2nd Plaintiff's RID.

D. Case for the Defendants

[11] Mr. Hong Kong Ming (**SD1**) and the 1st Defendant gave evidence for the Defendants.

[12] SD1 testified, among others, as follows:

- (1) SD1 is the "*founder*", shareholder and director of Hong Yik Plastics (M) Sdn. Bhd. (**HYP**). HYP manufactures plastic products and sells them through its "*affiliate*" marketing company, Hong Yik Marketing Sdn. Bhd. (**HYM**); and
- (2) HYP had supplied plastic products to the 2nd Defendant through HYM. SD1 claims that HYP no longer keeps its original invoices (**HYP's Invoices**). Instead, SD1 produced copies of HYP's Invoices from HYP's "*computer accounting system*".

[13] According to the 1st Defendant, among others -

- (1) the 1st Defendant was a director and shareholder in KMET when sometime in 2013, SP1 and Mr. Lim "*invited*" him to "*form*" the 1st Plaintiff. Consequently -
 - (a) KMET ceased its business without any transfer of KMET's assets and liabilities to the 1st Plaintiff;
 - (b) the 1st Defendant put in RM50,100.00 into the 1st Plaintiff and was allotted 30% of its shares;
 - (c) the 1st Defendant was paid a monthly salary of RM4,000.00 by the 1st Plaintiff; and
 - (d) the 1st Defendant was employed by the 3rd Plaintiff as a Production Manager with a monthly salary of RM4,000.00;
- (2) when the 1st Defendant was with the 1st Plaintiff, the CAD drawings and physical moulds were done by Micron Concept Engineering Sdn. Bhd. (**MCE**). Although the 1st Defendant assisted in the production of the "*product profile drawings*", he was not involved in the creation of the CAD drawings;
- (3) in May 2015 SP1 informed the 1st Defendant that the latter had been dismissed as the 3rd Plaintiff's Production Manager with immediate effect. Upon the 1st Defendant's complaint to SP1 and Mr. Lim, SP1 and Mr. Lim agreed to increase the 1st Defendant's monthly salary of RM4,000.00 in the 1st Plaintiff to RM8,000.00;
- (4) SP1 wanted to acquire the 1st Defendant's shares in the 1st Plaintiff (**1st Defendant's Shares**) but they could not agree on the price. As such, the 1st Defendant requested the 1st Plaintiff's auditor to value the 1st Defendant's Shares;
- (5) on 23.9.2015, the 1st Defendant was "*forced out*" of the 1st Plaintiff's premises by SP1's brother, Mr. Tan Yu Meng, on SP1's instructions;
- (6) there was a meeting on 3.10.2015 among SP1, Mr. Lim, Ms. Loh Yoke Ping (a representative

- of the 2nd Plaintiff) (**Ms. Loh**) and the 1st Defendant wherein it was agreed that the 2nd Plaintiff would purchase the 1st Defendant's Shares for a sum of RM97,101.44 [**Alleged Agreement (3.10.2015)**]. However, SP1 and Mr. Lim did not carry out the Alleged Agreement (3.10.2015). Instead, SP1 and Mr. Lim asked the 1st Defendant to provide a quotation for the 1st Defendant to return the Soft Copies (Works);
- (7) the 1st Defendant gave a quotation dated 26.10.2015 to the 3rd Plaintiff which offered to return the Soft Copies (Works) for a sum of RM50,000.00 (**1st Defendant's Quotation**). The 1st Defendant claimed to own the Soft Copies (Works). According to the 1st Defendant, KMET was only engaged by the 2nd and 3rd Plaintiffs to supply physical mould to them;
 - (8) the 1st Defendant tendered his resignation as a director of the 1st Plaintiff on 21.12.2015;
 - (9) regarding the 2nd Plaintiff's RID, the 1st Defendant alleges as follows -
 - (a) LCL Building System Sdn. Bhd. has registered RID's (**LCL's RIDs**) prior to the registration of the 2nd Plaintiff's RID on 9.5.2014. The 2nd Plaintiff's RID is not new because it is "*merely an immaterial variation*" of LCL's RIDs; and
 - (b) the 2nd Plaintiff's RID is a purely functional item and cannot be registered under IDA;
 - (10) the 2nd Defendant did not infringe the copyright of the 2nd and 3rd Plaintiffs in the Works because -
 - (a) the 2nd Defendant obtained all its products (**2nd Defendant's Products**) from HYM which are manufactured by HYP. The 1st Defendant relied on HYM's invoices issued to the 2nd Defendant (**HYM's Invoices**); and
 - (b) the "*product profiles*" of the 2nd Defendant's Products have been in the market "*long*" before the products of the Plaintiffs. There is therefore no necessity for the Defendants to copy the Works; and
 - (11) regarding the 2nd Defendant -
 - (a) the 1st Defendant had not been paid his director's salary after he was forced out of the 1st Plaintiff on 23.9.2015. The 1st Defendant was also not paid for the Soft Copies (Works). As such, the 1st Defendant had no choice but to make preparations for his livelihood by incorporating the 2nd Defendant; and
 - (b) the 2nd Defendant did not commence operations until after the 1st Defendant's resignation as a director of the 1st Plaintiff.

Hence, the 2nd Defendant was not in "*actual competition*" with the Plaintiffs prior to the 1st Defendant's resignation as the 1st Plaintiff's director.

E. Oral hearsay evidence

[14] The 1st Defendant had given evidence on what he had heard from -

- (1) Mr. Lim;
- (2) a representative of the 2nd Plaintiff, Mr. Chan; and
- (3) Mr. Ng Boon Seng, the 1st Plaintiff's representative.

[15] A witness may testify on what the witness has heard from a person (who is not a party and who has not been called to give evidence) in order to prove the fact that a statement has been made to the witness - please see the Privy Council's decision on appeal from the Federation of Malaya in *Subramaniam v Public Prosecutor* [1956] 1 MLJ 220, at 222 (delivered by LMD De Silva). Despite the admission of such evidence, I attach no weight to what has been heard by the 1st Defendant from the persons stated in the above paragraph 14 because -

- (1) the Defendants had elected not to call those persons to give evidence in this case. Furthermore, no evidence had been adduced by the Defendants on why those persons could not be subpoenaed by the Defendants to testify in this case; and
- (2) the Plaintiffs had no opportunity to cross-examine those persons so as to ascertain the truth of what had been informed to the 1st Defendant

- please see *Tenaga Nasional Bhd v Api-api Aquaculture Sdn Bhd* [2015] 3 AMR 811, at paragraphs 25-27, which has been affirmed by the Court of Appeal.

F. Credibility of witnesses

[16] I find as a fact that SP2 and SP3 are credible witnesses because they are independent witnesses without any interest in the outcome of this case. More importantly, the cross-examination of SP2 and SP3 did not reveal any reason to doubt their veracity.

[17] It is the court's finding of fact that SP1 is a witness of truth for the following reasons:

- (1) SP1's evidence regarding the ownership of copyright in the Soft Copies (Works) by the 2nd and 3rd Plaintiffs was supported by contemporaneous documentary evidence in the form of the physical drawings by KMET (**KMET's Drawings**) which expressly stated the "CUSTOMER" was the 2nd and 3rd Plaintiffs (depending on the particular KMET's Drawing); and
- (2) SP1's testimony is corroborated by an independent witness, SP2.

[18] SD1 lacks credibility for the following evidence and reasons:

- (1) during cross-examination, SD1 initially testified that he was unsure of HYP's address! When Ms. Cyndi Chow Li Kian, the Plaintiffs' learned counsel, gave HYP's address at Lot 7508, Jalan Tiga, Bukit Cherakah, Kampung Baru Subang (**Address**), only then SD had the candour to admit the Address was that of HYP's;
- (2) SD1 stated in cross-examination that HYP, HYM and the 2nd Defendant operate at the same Address and have the same telephone and facsimile numbers. Such an admission shows that the 2nd Defendant, HYP and HYM are closely related by way of business. Accordingly, SD1 is not an impartial witness in this case;
- (3) when Ms. Cyndi Chow put to SD1 that there were products which were only sold by HYP and HYM after the 2nd Defendant had operated at the same address, SD1 incredulously answered that he was not sure;
- (4) during re-examination, SD1 claims that HYM and the 2nd Defendant are competitors. This evidence undermines SD1's credibility because HYM and the 2nd Defendant share the same Address, telephone and facsimile numbers; and
- (5) SD1 stated that HYP no longer keeps original invoices. It is difficult to believe that a genuine business entity does not keep any original invoice. Incredulously, during re-examination, SD1 testified that he did not know why HYP's invoices were not signed.

[19] I find as a fact that the 1st Defendant is not a truthful witness. This finding is premised on the following evidence and reasons:

- (1) the first demand in this case was sent by the 1st Defendant's then solicitors, Messrs KP Quek & Partners (**Messrs KPQ**), when Messrs KPQ sent a demand dated 25.2.2016 to the 1st Plaintiff for the 1st Defendant's salary and allowance as the 1st Plaintiff's director. The Plaintiffs' solicitors replied to this demand by way of a letter dated 5.5.2016 which made serious allegations against the 1st Defendant (the basis of the Original Action) [**Plaintiffs' Demand (5.5.2016)**]. Astoundingly, in response to the Plaintiffs' Demand (5.5.2016), Messrs KPQ stated in its letter dated 12.5.2016 that until the date of its letter, Messrs KPQ had not received any instruction from the 1st Defendant to represent him! If the Plaintiffs' allegations against the 1st Defendant were false, the 1st Defendant would have expeditiously appointed and instructed Messrs KPQ to deny those serious allegations;
- (2) Messrs KPQ subsequently sent a demand dated 14.6.2016 to the Plaintiffs' solicitors (**Messrs KPQ's Letter dated 14.6.2016**) which stated, among others, that the 2nd Defendant "*does not engage similar trade and business which are similar*" to the Plaintiffs. This statement in Messrs KPQ's Letter dated 14.6.2016 materially contradicts the 1st Defendant's witness statement (**WSSD2**) that the 2nd Defendant now competes with the Plaintiffs' business;
- (3) the 1st Defendant instructed Messrs CL Chan & Ng to send a letter dated 26.8.2016 to the

- Plaintiffs' solicitors (**Messrs CLC's Letter dated 26.8.2016**). Despite the fact that the 1st Defendant was the 3rd Plaintiff's former Production Manager, Messrs CLC's Letter dated 26.8.2016 stated that the 1st Defendant had "*no nexus*" with the 3rd Plaintiff "*at any point of time*". Such a false statement was repeated in Messrs CLC's Letter dated 16.11.2016;
- (4) the 1st Defendant's present solicitors sent a letter dated 28.11.2016 to the Plaintiffs' solicitors which alleged, among others, that copyright did not subsist in the Works. This directly contradicts Messrs CLC's Letter dated 26.8.2016 that the 1st Defendant owns all exclusive rights to all mould designs and drawings made by him. The 1st Defendant further contradicted himself during re-examination when he testified that the 1st Defendant's Quotation was given to the Plaintiffs because he had to "*purchase*" the Soft Copies (Works) from MCE!;
 - (5) the 1st Defendant stated during cross-examination that save for the Address, the 2nd Defendant has no other business address. Such evidence is contrary to the 2nd Defendant's "*Products Catalogue*" (**Exhibit P18**) which clearly provides that the 2nd Defendant has two branches in the "*Northern Region*" and "*Southern Region*" of West Malaysia (**2 Alleged Branches**). During re-examination, the 1st Defendant testified that the 2 Alleged Branches belong to HYM. This means that Exhibit P18 is false regarding the 2 Alleged Branches. The 1st Defendant is personally responsible for this misstatement in exhibit P18 because he is the *alter ego* of the 2nd Defendant - please see paragraphs 21(2) and 22 below;
 - (6) in answer to question no. 10 of WSSD2, the 1st Defendant stated that all the 2nd Defendant's Products were obtained from HYM. However, the 1st Defendant changed his evidence during cross-examination and testified not all the 2nd Defendant's Products were obtained from HYM;
 - (7) in answer to question no. 10 of WSSD2, the 1st Defendant stated that he had relied on "*random*" invoices of HYM. All these invoices were however dated the same day (15.6.2017) and were not random;
 - (8) the 1st Defendant claimed that the 1st Plaintiff's CAD drawings and physical mould were done by MCE. However, during cross-examination, he admitted that there was no documentary proof to substantiate his allegation regarding MCE. Nor did he call any witness from MCE to support his averment; and
 - (9) in answer to question no. 9 of WSSD2, the 1st Defendant alleged that the industrial design of the 2nd Plaintiff's RID "*already existed in the market*" before the registration of the 2nd Plaintiff's RID. However, during cross-examination, the 1st Defendant testified that this answer was not a ground to invalidate the 2nd Plaintiff's RID.

G. Is 1st Defendant alter ego of KMET and 2nd Defendant?

[20] Generally, KMET and 2nd Defendant are legal entities which are separate from their shareholders and directors. However, exceptionally, the court may pierce or lift the corporate veil of KMET and 2nd Defendant to reveal the individual who is the *alter ego*, controller or the "*directing mind and will*" of those companies. In *Chanel v Melwan2 International Sdn Bhd & Ors and other suits* [2017] 10 MLJ 592, at [16], I have followed a trilogy of Federal Court cases in *Solid Investment Ltd v Alcatel Lucent (M) Sdn Bhd* [2014] 3 CLJ 73, at 92, *Gurbachan Singh s/o Bagawan Singh & Ors v Vellasamy s/o Pennusamy & Ors* [2015] 1 MLJ 773, at [96]-[99] and *Giga Engineering & Construction Sdn Bhd v Yip Chee Seng & Sons Sdn Bhd & Anor* [2015] 9 CLJ 537, at [39], [44] and [45] which laid down the following two conditions to be fulfilled cumulatively (**2 Conditions**) for the court to pierce or lift a corporate veil:

- (1) there exists special circumstances to pierce or lift the corporate veil (**1st Condition**) which include the following circumstances (not exhaustive) -
 - (a) there has been commission of actual fraud or Common Law fraud;
 - (b) equitable fraud or constructive fraud has been committed;
 - (c) to prevent an evasion of liability; or
 - (d) to prevent an abuse of corporate personality; **and**
- (2) the piercing or lifting of a corporate veil is in the interest of justice (**2nd Condition**).

[21] In this case, there are admissions that the 1st Defendant is the *alter ego*, controller or the "*directing*

mind and will" of KMET and 2nd Defendant. I refer to the following evidence:

- (1) Messrs KPQ's Letter dated 14.6.2016 admitted that the 1st Defendant was the "owner" of KMET; and
- (2) the 1st Defendant stated in answer to question no. 11 of WSSD2 that he had incorporated the 2nd Defendant.

[22] Additionally, I am satisfied that the 2 Conditions are satisfied in this case as follows:

- (1) the 1st Condition is fulfilled as the following special circumstances exist in this case -
 - (a) the corporate veil of KMET and 2nd Defendant is pierced to prevent the 1st Defendant from evading his personal liability to the Plaintiffs in the Original Action; and
 - (b) the corporate veil of KMET and 2nd Defendant is pierced in this case because the corporate personality of KMET and 2nd Defendant has been abused to shield the 1st Defendant from the Original Action; and
- (2) the 2nd Condition is met because it is in the interest of justice to pierce the corporate veil of KMET and 2nd Defendant to decide justly the Original Action and Counterclaim.

H. Works

H(1). Does copyright subsist in the Works?

[23] The Works fall within the definition of "*graphic work*" in s 3(a) CA as follows:

" *graphic work*" includes -

- (a) *any ... drawing, diagram ...* (emphasis added).

[24] As the Works are graphic works, the Works therefore constitute "*artistic work*" in s 3(a) CA and are eligible for copyright protection under s 7(1)(c) CA.

[25] Regarding the conditions for a work to be eligible for copyright, it is decided in *Siti Khadijah Apparel Sdn Bhd v Ariani Textiles & Manufacturing (M) Sdn Bhd* [2019] 7 MLJ 478, at [27], as follows:

"[27] According to s 6 CA, no copyright shall subsist otherwise than by virtue of CA. Whether a piece of "artistic work" [as understood in ss 3 and 7(1)(c) CA] can be protected by copyright under CA depends on whether all the following conditions under CA (Conditions) have been fulfilled:

- (1) s 7(3)(a) CA **provides that an artistic work shall not be eligible for copyright unless sufficient effort had been expended to make the work original in character. The following cases are relevant in the interpretation of s 7(3)(a) CA -**
 - (a) **in the Federal Court case of *Lau Foo Sun v Government of Malaysia* [1974] 1 MLJ 28, *Ali FJ* held that copyright only protects originality of expression in the work and not originality of ideas or thoughts in the work; and**
 - (b) ***Abdul Malik Ishak J* (as he then was) decided as follows in the High Court in *Kiwi Brands Malaysia Sdn Bhd v. Multiview Enterprises Sdn Bhd* [1998] 2 CLJ Supp 194, at 201-202 -**

"... It seems that copyright subsists only in an original literary work as envisaged under s. 7(3)(a) [CA]. *Halsbury's Laws of England, 4th edn, vol. 9, at para. 831 expresses an opinion that it is not necessary that "the work should be the expression of original or inventive thought, for Copyright Acts are not concerned with the originality of ideas, but with the expression of thought, and in the case of a literary work, with the expression of thought in print or writing".*"

(emphasis added).

The decision in *Kiwi Brands Malaysia* has been followed by Dr. Badariah Sahamid JCA in the recent Court of Appeal case of *Elias bin Idris v Mohd Syamsul bin Md Yusof & Ors*, Civil Appeal No.

W-02(IPCV) (W) 508-03/2016 (Elias Case);

- (2) **in accordance with** s 7(3)(b) CA, **the artistic work has been written down, recorded or reduced to "material form" (defined in** s 3 CA);
- (3) **the artistic work qualifies for copyright protection due to one or more of the following reasons** -
 - (a) **the work is made by a "qualified person" [defined in** s 3(a) and (b) CA **as, among others, a Malaysian citizen and Malaysian company respectively] - please see** s 10(1) CA;
 - (b) **the work is first "published" in Malaysia - please see** s 10(2)(a) CA. Section 4(1)(a) CA **deems an artistic work to be "published" only if copies of the work have been made available with the consent of the author of the work in a manner sufficient to satisfy the reasonable requirements of the public, whether by sale or otherwise; or**
 - (c) **the work is made in Malaysia - please see** s 10(3) CA; ... " (emphasis added).

[26] Mr. Joel Lim Phan Hong, the Defendants' learned counsel, has submitted that copyright does not subsist in the Works because the Plaintiffs have obtained "*pre-existing plastic profiles from the market*" as the basis for the Works. Hence, the Works are not original.

[27] I am not able to accept the above contention by Mr. Joel Lim for the following reasons:

- (1) the 2nd and 3rd Plaintiffs had "*commissioned*" KMET to make the Works (**Commission**). Pursuant to the Commission, KMET had produced the Works and had been paid by the 2nd and 3rd Plaintiffs for the Works. In view of the Commission and the fact that KMET had been paid for the production of the Works, I am satisfied that sufficient efforts have been expended by KMET to make the Works original in character within the meaning of s 7(3)(a) CA;
- (2) if the Works had been copied from a copyrighted work, the owner of the copyrighted work would have sued KMET, 2nd and 3rd Plaintiffs for infringement of the copyright under s 36(1) CA. No such suit has been filed; and
- (3) s 7(3)(a) CA only requires sufficiency of efforts to prove originality of expression in a work and not proof of originality of idea or thought - please see Ali FJ's decision in the Federal Court in *Lau Foo Sun v Government of Malaysia* [1974] 1 MLJ 28, at 30-31. Furthermore, s 7(2) CA provides that works "*shall be protected irrespective of their quality*".

It is to be noted that the above submission by Mr. Joel Lim materially contradicts the 1st Defendant's claim that copyright in the Soft Copies (Works) belongs to the 1st Defendant.

[28] In addition to the fulfillment of s 7(3)(a) CA by the Works, the following conditions for copyright to subsist in the Works have also been satisfied:

- (1) "*material form*" is defined in s 3 CA as follows -

" "material form", in relation to a work or a derivative work, includes any form (whether visible or not) of storage from which the work or derivative work, or a substantial part of the work or derivative work can be reproduced;"

(emphasis added).

Section 7(3)(b) CA requires the Works to be reduced to "*material form*". This condition is fulfilled because the Works are in the following three "*material*" forms within the meaning of s 3 CA -

- (a) electronic data form;
 - (b) drawings; and
 - (c) physical mould; and
- (2) the Works are made by KMET [a Malaysian company which falls within the meaning of a "*qualified person*" in s 3(b) CA] and s 10(1) CA is therefore complied with. Additionally or

alternatively, the Works are made in Malaysia and this fulfills s 10(3) CA.

H(2). Who owns copyright in the Works?

[29] I reproduce below the relevant part of s 26 CA:

"s 26. *First ownership of copyright*

- (1) **Copyright conferred by** section 10 **shall vest initially in the author.**
- (2) **Notwithstanding subsection 27(6), where a work -**
 - (a) **is commissioned by a person who is not the author's employer under a contract of service or apprenticeship; or**
 - (b) **not having been so commissioned, is made in the course of the author's employment, the copyright shall be deemed to be transferred to the person who commissioned the work or the author's employer, subject to any agreement between the parties excluding or limiting such transfer."**

(emphasis added).

[30] Mr. Joel Lim has contended that the 2nd and 3rd Plaintiffs have only paid KMET for the physical mould and consequently, KMET owns copyright in KMET's Drawings and Soft Copies (Works). I am unable to accept this submission. This decision is premised on the following evidence and reasons:

- (1) KMET was the "*author*" of the Works as understood in s 3 CA as follows -

" *author*" -

...

(c) *in relation to artistic works other than photographs, means the artist;*

...".

Section 26(1) CA provides that copyright in the Works "*shall vest initially*" in KMET. However if the Works are commissioned by the 2nd and 3rd Plaintiffs, s 26(2)(a) CA provides that copyright in the Works "*shall be deemed to be transferred*" from KMET to the 2nd and 3rd Plaintiffs - please see *Aktif Perunding Sdn Bhd v ZNVA & Associates Sdn Bhd* [2017] 10 CLJ 226, at [33(3)]. In *Aktif Perunding*, at [33(4)], I have followed cases decided in New Zealand and United Kingdom (UK) which have held that the term "*commission*" in their copyright legislation means an "*order*" or "*request*" for the work in question.

I am of the view that the 2nd and 3rd Plaintiffs have commissioned KMET to produce the Works pursuant to s 26(2)(a) CA. The Commission is proven by the following evidence -

- (a) KMET had issued invoices to the 2nd and 3rd Plaintiffs regarding the Works;
 - (b) the 2nd and 3rd Plaintiffs paid KMET in respect of KMET's invoices; and
 - (c) KMET's Drawings expressly stated that KMET's customers were the 2nd and 3rd Plaintiffs;
- (2) SP2 has about 30 years' experience in the same industry as the Plaintiffs and KMET. According to SP2, once a customer has commissioned and paid him to fabricate a mould for the customer, the customer is entitled to the soft copy of CAD data and drawing regarding the mould as well as the physical mould. As explained in the above paragraph 16, SP2 is a credible and impartial witness. SP2's testimony supports the existence of the Commission regarding the Soft Copies (Works) and the application of s 26(2)(a) CA to confer copyright in the Works on the 2nd and 3rd Plaintiffs;
 - (3) SP1 had affirmed two statutory declarations on 23.8.2017 (**SP1's SDs**) under s 42(1) CA which stated that the 2nd and 3rd Plaintiffs own copyright in the Works. SP1's SDs "*shall be*

admissible in evidence" and "*shall be prima facie evidence*" that the 2nd and 3rd Plaintiffs are the owner of copyright in the Works - please see Jeffrey Tan FCJ's judgment in the Federal Court case of *Dura-Mine Sdn Bhd v Elster Metering Ltd & Anor* [2015] 1 CLJ 887, at [12] and [29]. I accept the contents of SP1's SDs because -

- (a) SP1 is a credible witness - please see the above paragraph 17; and
- (b) the Defendants have failed to adduce any evidence to rebut the contents of SP1's SD's. In fact, the 1st Defendant is not an honest witness - please see the above paragraph 19. The 1st Defendant did not affirm any SD or affidavit under s 42(1) CA to claim any copyright to the Works, presumably because the affirmation of a false SD or affidavit under s 42(1) CA is tantamount to a criminal offence - please see *Syarikat Faiza Sdn Bhd & Anor v Faiz Rice Sdn Bhd & Anor* [2019] 7 MLJ 175, at [27(1)]; and

- (4) if the 1st Defendant is the owner of copyright in the Soft Copies (Works), he would have prayed in the Counterclaim for a declaration as such.

H(3). Whether Defendants have infringed copyright in the Works

[31] Section 36(1) CA provides as follows:

"Infringements

36(1) Copyright *is infringed by any person who does, or causes any other person to do, without the licence of the owner of the copyright, an act the doing of which is controlled by copyright under this Act.*"

(emphasis added).

[32] It is decided in *Motordata Research Consortium Sdn Bhd v Ahmad Shahril bin Abdullah & Ors* [2017] 7 AMR 560, at [49] and [50], that s 36(1) CA has the following two limbs:

- (1) when a person (X) does an act which is controlled by copyright under CA (**1st Limb**); and
- (2) when a person causes X to do an act which is controlled by copyright under CA (**2nd Limb**).

The 1st Limb concerns "*an act the doing of which is controlled by copyright*" while the 2nd Limb imposes liability on a person who "*causes*" the commission of the 1st Limb.

[33] The fact that the 2nd and 3rd Plaintiffs owns the copyright in the Works [**Copyright (2nd and 3rd Plaintiffs)**] means that they have the following exclusive rights:

- (1) an exclusive right under s 13(1)(a) CA to control the "*reproduction*" (defined widely in s 3 CA to mean "*the making of one or more copies of work in any form or version, and in relation to an artistic work includes the making of a copy in three dimensions of a two-dimensional work and the making of a copy in two dimensions of a three-dimensional work*") of the Works in any "*material form*" (defined in s 3 CA); and
- (2) an exclusive right under s 13(1)(e) CA to control the distribution of the Works to the public by sale or transfer of ownership.

[34] In the High Court case of *Megnaway Enterprise Sdn Bhd v Soon Lian Hock* [2009] 3 MLJ 525, at [41], Low Hop Bing J (as he then was) has explained that the 1st Limb has the following three elements:

- (1) there is a sufficient objective similarity between the copyrighted work and the impugned work [**1st Element (1st Limb)**]. To decide the 1st Element (1st Limb), the court has to make a visual comparison between the copyrighted work and the impugned work;
- (2) there is a causal connection between the copyrighted work and the impugned work [**2nd Element (1st Limb)**]. Regarding 2nd Element (1st Limb), once a plaintiff has proven the 1st Element (1st Limb), a rebuttable presumption arises that the defendant has copied the

- impugned work from the copyrighted work. The evidential burden then shifts from the plaintiff to the defendant to disprove the 2nd Element (1st Limb) by proving that the impugned work has been created independently of the copyrighted work; and
- (3) the impugned work has copied a substantial part of the copyrighted work [**3rd Element (1st Limb)**]. In **Syarikat Faiza**, at [59(3)], I have referred to two tests regarding the 3rd Element (1st Limb) as follows -
- (a) in the the House of Lords case of *Designers Guild Ltd v Russell Williams (Textiles) Ltd* [2001] 1 All ER 700, at 708- 709, Lord Millett decided that whether an impugned work has copied a substantial part of the copyrighted work depends on the quality (not the quantity) of the features of the copyrighted work which has been copied by the impugned work (**Qualitative Test**).

In applying the Qualitative Test, the features copied by the impugned work need not form a substantial part of the impugned work. The importance of the impugned work is therefore not relevant in deciding whether the 3rd Element (1st Limb) has been fulfilled or not; and

- (b) in **Designers Guild**, Lord Scott has distinguished the following two types of copying -
- (i) the impugned work has copied an identifiable part of the copyrighted work without any modification (**Direct Copying**). In a case of Direct Copying, whether the 3rd Element (1st Limb) is proven depends on the quality of the copyrighted work's features which has been copied by the impugned work; and
- (ii) the impugned work has copied the copyrighted work with modifications (**Altered Copying**). To decide whether the 3rd Element (1st Limb) has been satisfied in an Altered Copying case, Lord Scott adopted the test stated in "*The Modern Law of Copyright and Designs*", Laddie, Prescott and Vitoria, 2nd Edition (1995), at paragraph 2-108, namely has the infringer incorporated in the impugned work a substantial part of the independent skill and labour of the author in creating the copyrighted work?

[35] I have compared the 2nd Defendant's Products as contained in Exhibit P18 and the 2nd Defendant's "Samples Board" (**Exhibit P4**) with the products of the 2nd and 3rd Plaintiffs as well as the CAD drawings regarding the Works.

The above visual examination reveals a sufficient objective similarity between the Works and the the 2nd Defendant's Products. Accordingly, the 1st Element (1st Limb) has been proven by the 2nd and 3rd Plaintiffs on a balance of probabilities.

[36] As the 1st Element (1st Limb) has been established, there arises a rebuttable presumption that the 2nd Defendant's Products had been copied from the Works. Consequently, the evidential burden shifts from the 2nd and 3rd Plaintiffs to the 2nd Defendant to disprove the 2nd Element (1st Limb) by proving that the 2nd Defendant's Products have been created independently of the Works. I find as a fact that the 2nd Defendant has failed to rebut this rebuttable presumption and the 2nd Element (1st Limb) has been proven in this case. This decision is based on the following evidence and reasons:

- (1) the 1st Defendant is the controller of KMET and the 2nd Defendant - please see the above paragraphs 21 and 22;
- (2) the 1st Defendant has admitted that he has possession of the Soft Copies (Works) because he claims that KMET owns copyright in the Soft Copies (Works). Furthermore, the 1st Defendant's Quotation was made wherein the 1st Defendant offered to return the Soft Copies (Works) for a sum of RM50,000.00; and
- (3) the 2nd Defendant was only incorporated on 11.11.2015. The irresistible inference is that the 2nd Defendant's Products could not have been manufactured and offered for sale in such a short period of time unless the 2nd Defendant's Products had been copied from the Works.

[37] I am satisfied that the 2nd and 3rd Plaintiffs have succeeded to prove the 3rd Element (1st Limb) on a balance of probabilities. This is because based on the Qualitative Test, the 2nd Defendant has committed a Direct Copying of the Works. This is evident from the fact that the quality of the features of the 2nd Defendant's Products which were copied from the Works constitute the whole or a substantial part of the Works.

[38] Based on the evidence and reasons explained in the above paragraphs 35 to 37, the 2nd Defendant has infringed the Copyright (2nd & 3rd Plaintiffs) under the 1st Limb (**2nd Defendant's Copyright Infringement**).

[39] In **Motordata Research Consortium**, at [55]-[57], I have adopted the meaning of "cause" as decided in criminal cases in Malaysia and UK as follows:

"[57] Adopting the cases explained in the above paragraph 55, I hold that a person (V) commits copyright infringement under the 2nd Limb when V "causes" another person (W) to commit copyright infringement under the 1st Limb in the following circumstances:

- (1) *V has authority over W and V orders or directs W to commit copyright infringement under the 1st Limb - please see Tan Teik Leong and Shave; or*
- (2) *V has an express or positive mandate to cause W to commit copyright infringement under the 1st Limb and V has caused W to do so - please see Ali Amberan and McLeod."*

(emphasis added).

[40] As the 1st Defendant is the *alter ego* of the 2nd Defendant, I have no hesitation to find that he has "caused" the commission of the 2nd Defendant's Copyright Infringement. This is because -

- (1) the 1st Defendant has authority over the 2nd Defendant and he has ordered or directed the 2nd Defendant to infringe the Copyright (2nd & 3rd Plaintiffs) under the 1st Limb; and/or
- (2) the 1st Defendant has an express or positive mandate over the 2nd Defendant to cause the commission of the 2nd Defendant's Copyright Infringement and has indeed caused so.

Based on the above evidence and reasons, the 1st Defendant has infringed the Copyright (2nd & 3rd Plaintiffs) under the 2nd Limb. Additionally or alternatively, as the 1st Defendant is the 2nd Defendant's *alter ego*, the 1st Defendant is personally liable for the 2nd Defendant's Copyright Infringement.

I. 2nd Plaintiff's RID

[41] I reproduce below the relevant parts of ss 24(1)(a) and 27(1)(a) IDA:

"24(1) Subject to the provisions of this Act -

(a) the Court may, on the application in the prescribed manner, of any person aggrieved by or interested in the non-inclusion in or omission from the Register of any entry, or by or in any entry made in the Register without sufficient cause, or any entry wrongfully remaining in the Register, or any error or defect in any entry in the Register, make such order for including, making, expunging or varying any such entry or for the correcting of any such error or defect as it deems fit; ...

...

27(1) At any time after the registration of an industrial design, any person may apply to the Court -

(a) for the revocation of the registration of the industrial design on the ground, subject to section 12, that the industrial design has been disclosed to the public prior to the priority date of the application for registration of the industrial design;

...

and the Court may make such order on the application as it considers just. ..."

(emphasis added).

[42] I should hear the Defendants' application to invalidate the 2nd Plaintiff's RID before deciding on whether the Defendants have infringed the 2nd Plaintiff's RID. This approach is explained in *So Yin Yit & Anor v Choong Hon Ken & Anor* [2018] MLJU 2092, at [23] as follows:

"[23] I will decide the applications to invalidate RID 1455 before I decide on whether the Defendants have infringed RID 1455. This is due to the following reasons:

- (1) **s 33(1) IDA confers a right on an "owner" of a RID to sue for infringement of the RID. For the purposes of s 33 IDA, an "owner" of a RID includes a licensee (such as the 2nd Plaintiff) - please see s 33(4) IDA. If a RID is invalidated, there cannot be any basis for a suit for RID infringement - please see *Ramly Ali JCA's (as he then was) judgment in the Court of Appeal case of F & N Dairies (M) Sdn Bhd v Tropicana Products Inc and other appeals* [2013] MLJU 1591, at paragraphs 130-132; and**
- (2) **according to s 22(3) IDA, the certificate of registration of a RID "shall be prima facie evidence of the facts stated therein and of the validity of the registration" of the RID - please see *Suriyadi Halim Omar J's (as he then was) judgment in the High Court case of Honda Giken Kogyo Kabushiki Kaisha v Allied Pacific Motor (M) Sdn Bhd & Anor* [2005] 3 MLJ 30, at paragraph 8. Accordingly, a party seeking to expunge or revoke the registration of a RID, bears the evidential burden to invalidate the RID."**

(emphasis added).

I(1). Do RID Features have " eye appeal"?

[43] The definition of "industrial design", according to s 3(1) IDA, is as follows:

"industrial design" means features of shape, configuration, pattern or ornament applied to an article by any industrial process or means, being features which in the finished article appeal to and are judged by the eye, but does not include -

- (a) **a method or principle of construction; or**
- (b) **features of shape or configuration of an article which -**
 - (i) **are dictated solely by the function which the article has to perform; or**
 - (ii) **are dependent upon the appearance of another article of which the article is intended by the author of the design to form an integral part;"**

(emphasis added).

[44] It is decided in *So Yin Yit*, at [29] and [30], as follows:

"[29] Our definition of "industrial design" in s 3(1) IDA is similar to the definition of "design" in s 1(1) RDA 1949 (UK). Consequently, UK cases on the interpretation of "design" in s 1(1) RDA 1949 (UK) may be referred in the construction of our definition of "industrial design" in s 3(1) IDA.

[30] Based on my understanding of cases decided in Malaysia and UK, I am of the following view regarding the definition of "industrial design" in s 3(1) IDA:

- (1) **the definition of "industrial design" in s 3(1) IDA has three elements (3 Elements) as follows -**
 - (a) **"features of shape, configuration, pattern or ornament" (1st Element); and**
 - (b) **the features in the 1st Element -**
 - (i) **have been "applied to an article by any industrial process or means" (2nd Element). The term "article" is defined in s 3(1) IDA and has been explained in the above Part H; and**
 - (ii) **"being features which in the finished article appeal to and are judged by the eye" (3rd Element). The 3rd Element concerns the Eye Appeal Requirement which will be elaborated below; and**
- (2) **even if the 3 Elements are satisfied, the following features do not constitute an "industrial design" -**
 - (a) **if the features concern "a method or principle of construction"; or**

- (b) **if the features of shape or configuration of an article -**
- (i) **are "dictated solely by the function which the article has to perform"** [Section 3(1)(b)(i) *Exclusion*]; or
 - (ii) **are "dependent upon the appearance of another article of which the article is intended by the author of the design to form an integral part"** [Section 3(1)(b)(ii) *Exclusion*]."

(emphasis added).

[45] In deciding whether RID Features have "eye appeal", the court has to first ascertain who is the relevant customer, purchaser, consumer or user of the 2nd Plaintiff's Article (**Relevant Customer**) - please see Ramly Ali JCA's (as he then was) judgment in the Court of Appeal case of *F & N Dairies (M) Sdn Bhd v Tropicana Products Inc and other appeals* [2013] MLJU 1591, at [31]-[39], [44], [45] and [46].

[46] In **So Yin Yit**, at [31(3)], I have decided as follows regarding the "eye appeal" requirement in s 3(1) IDA:

"[31(3)] the court shall decide whether the "features of shape, configuration, pattern or ornament" in the Finished Article "appeal" to the Relevant Customer. In this regard, the court shall don the mantle of the Relevant Customer - please see Aldous J's (as he then was) judgment in the English High Court in Valeo Vision Societe Anonyme & Anor v Flexible Lamps Ltd [1995] RPC 205, at 215 (Valeo's Case). Valeo's Case has been followed by our Court of Appeal in F & N Dairies, at paragraphs 41 and 44. Pursuant to s 60(3) of the Evidence Act 1950 (EA), the court may examine the Finished Article. Section 60(3) EA provides as follows -

"60(3) If oral evidence refers to the existence or condition of any material thing including a document, the court may, if it thinks fit, require the production of that material thing or the document for its inspection."

(emphasis added).

The following features cannot be considered by the court -

- (a) **features of the Finished Article which are not registered in the Register;**
- (b) **features which are not visible in the Finished Article - F & N Dairies, at paragraph 37; and**
- (c) **the colour or material of the Finished Article - please see Slade LJ's judgment in the English Court of Appeal in Sommer Allibert (UK) Ltd & Anor v Flair Plastics Ltd [1987] RPC 599, at 623.**

The following cases are relevant regarding the application of the Eye Appeal Requirement -

- (i) **the Court of Appeal decided as follows in F & N Dairies, at paragraph 39 -**

"[39] The words "judged by the eye" will exclude cases where it is shown that the customer is not influenced in choice by appearance only but by the criteria of suitability for purpose (see: Martin Howe, on Industrial Designs, Seventh Edition, Sweet and Maxwell, 2005 - page 88). ..."

(emphasis added);

- (ii) **in Amp Inc. v Utilux Proprietary Ltd [1971] FSR 572 (Amp's Case)-**
 - (iia) **Lord Reid decided as follows, at p. 576-577 -**

"... the policy of the Act was to preserve to the owner of the design the commercial value resulting from customers preferring the appearance of articles which have the design to that of those which do not have it. ... And the words "judged solely by the eye" must be intended to exclude cases where a customer might choose an article of that shape not because of its appearance but because he thought that the shape made it more useful to him.

... The onus is on the person who attacks the validity of the registration of a design. So he would have to shew on a balance of probability that an article with the design would have no greater appeal by reason of its appearance to any member of the public than an article which did not have this design."

(emphasis added).

- (iib) **Lord Donovan concurred with Lord Reid's judgment** (at p. 591);
Lord Morris held as follows, at p. 582 -

"The phrases "appeal to" and "judged solely by the eye" denote features which will or may influence choice or selection. ...

Beyond being merely visible the feature must have some individual characteristic. It must be

calculated to attract the attention of the beholder."

(emphasis added); and

- (iic) **according to Lord Pearson**, at p. 594 -

"There must be in some way a special, peculiar, distinctive, significant or striking appearance - something which catches the eye and in this sense appeals to the eye."

(emphasis added); and

- (iii) **Lord Oliver delivered the following judgment of the Privy Council in an appeal from Hong Kong, Interlego AG v Tyco Industries Inc & Ors** [1988] 3 All ER 949, at 957 and 960 -

"First, the primary essential before a shape can be registered as a design is that it should have eye-appeal and in this context (a) the eye is that of the prospective customer and (b) the appeal is that created by a distinctiveness of shape, pattern or ornamentation calculated to influence the customer's choice. ...

... In assessing eye-appeal the motive or purpose of the designer, whilst not conclusive, is clearly of relevance."

(emphasis added).

[47] Firstly, I find that the Relevant Customer for the 2nd Plaintiff's Article is a person who purchases and uses the 2nd Plaintiff's Article in the construction industry. SP3, an architect in the construction industry, is a Relevant Customer of the 2nd Plaintiff's RID.

[48] Secondly, the RID's Features are the shape and configuration of the 2nd Plaintiff's RID as stated in the Register (please see Appendix A to this judgment). Donning the mantle of the Relevant Customer, I find as a fact that the RID's Features have "eye appeal" under s 3(1) IDA as follows:

- (1) the Relevant Customer is influenced by the appearance of the RID's Features and is not solely influenced by the criteria of suitability for purpose of the 2nd Plaintiff's Article - **F & N Dairies**;
- (2) the Relevant Customer chooses the 2nd Plaintiff's Article because of the appearance of the RID's Features and not because the Relevant Customer thinks that the RID's Features make the 2nd Plaintiff's Article more useful to the Relevant Customer - please see Lord Reid's judgment in **Amp Inc.**;
- (3) the RID's Features influence the Relevant Customer's choice or selection by having some individual characteristics which are calculated to attract the attention of the Relevant Customer - please see Lord Morris' decision in **Amp Inc.**;
- (4) the RID's Features are special, peculiar, distinctive, significant or striking which catch the eye of the Relevant Customer - please see Lord Pearson's judgment in **Amp Inc.**; **and/or**
- (5) the RID's Features are distinctive and are calculated to influence the Relevant Customer's choice as explained by Lord Oliver in **Interlego**.

The above decision is supported by SP3's independent testimony that the RID's Features -

- (a) are "more attractive" than the common square-shaped groove joints; and

- (b) appeal to the eye and have an aesthetic element.

Premised on the above reasons, I have no hesitation to reject Mr. Joel Lim's contention that the RID Features have no "eye appeal" under s 3(1) IDA. Alternatively, I find as a fact that the Defendants have failed to discharge the burden to prove that the RID Features have no "eye appeal" under s 3(1) IDA.

[49] Mr. Joel Lim has submitted that upon installation of the 2nd Plaintiff's Article, the entire back portion of the 2nd Plaintiff's Article is hidden from view and consequently, the RID Features have no "eye appeal". I cannot accept such a contention because the definition of "industrial design" in s 3(1) IDA does not provide for the "eye appeal" test to be applied after the installation of the 2nd Plaintiff's Article. I am also unable to find any case in Malaysia and other countries (which have RID legislation similar to our IDA) which has applied the "eye appeal" test after the installation of the article embodying the RID.

I(2). Whether RID's Features are dictated solely by function of 2nd Plaintiff's Article

[50] It is decided in **So Yin Yit**, at [37], as follows:

"[37] In deciding whether RID 1455 falls within Section 3(1)(b)(i) Exclusion, I adopt the following approach:

- (1) in *Amp's Case*, at p. 596, Lord Pearson decided that the phrase "dictated by" in Section 3(1)(b)(i) Exclusion means "attributable to or caused or prompted by";
- (2) according to *Interlego*, at p. 957 -
 - (a) Section 3(1)(b)(i) Exclusion applies when every registered feature of the RID is "brought about only by" or is "attributable only to" the function which the article has to perform. For Section 3(1)(b)(i) Exclusion to apply, there is no requirement to show that the function cannot be performed by an article in some other shape. Furthermore, if every registered feature of the RID is "brought about only by" or is "attributable only to" the function which the article has to perform, Section 3(1)(b)(i) Exclusion applies even if the function can be performed by an article of a different shape; and
 - (b) if every registered feature of the RID is "brought about only by" or is "attributable only to" the function which the article has to perform, Section 3(1)(b)(i) Exclusion applies even if those features fulfill the Eye Appeal Requirement; and
- (3) in *F & N Dairies*, at paragraphs 50 and 52, our Court of Appeal has applied *Amp's Case* and *Interlego*."

(emphasis added).

[51] Mr. Joel Lim submitted that the RID's Features are purely functional and the 2nd Plaintiff's RID should therefore be invalidated on this ground alone. I am not able to accede to this contention because -

- (1) the RID Features are not solely attributable to or caused or prompted by the function which the 2nd Plaintiff's Article has to perform - please see Lord Pearson's judgment in **Amp Inc.**; and
- (2) the RID Features are not "brought about only by" or are "attributable only to" the function which the 2nd Plaintiff's Article has to perform - please see Lord Oliver's decision in **Interlego**.

[52] As an alternative to the decision in the above paragraph 51, this court finds as a fact that the Defendants have failed to prove that the RID Features are dictated solely by the function of the 2nd Plaintiff's Article within the meaning of s 3(1)(b)(i) IDA.

I(3). Is 2nd Plaintiff's RID "new"?

[53] The relevant parts of s 12(1) and (2)(a) IDA provide as follows:

"**Registrable industrial design**

12(1) Subject to this Act, an industrial design shall not be registered unless it is new.

(2) An industrial design for which an application for registration is made shall not be considered to be new if, before the priority date of that application, it or an industrial design differing from it only in immaterial details

or in features commonly used in the relevant trade -

(a) *was disclosed to the public anywhere in Malaysia; ...* " (emphasis added).

[54] In *Three V Marketing Sdn Bhd v Heng Capital Industries (M) Sdn Bhd (The Registrar of Industrial Design, interested party)* [2010] 2 MLJ 807, at [25] and [27] to [29], Azahar Mohamed J held as follows in the High Court:

"[25] *Once the applicant's prior design of MY03-00515 has been identified, it now becomes necessary to compare the respondent's design of MY04-00413 in order to see whether or not the latter is 'new' within the meaning of s 12 [IDA]. If after comparison it is revealed that the respondent's design of MY04-00413 is identical in all respect to the applicant's prior design of MY03-00515, the respondent's design of MY04-00413 is obviously not 'new'. However, the respondent's design of MY04-00413 may be generally similar to the applicant's prior design of MY03-00515, but there may be certain differences. If so, two questions will need to be asked:*

- (a) *Are the differences 'immaterial details'?*
- (b) *Are the differences merely in features which 'are variants commonly used in the trade'?*

...

[27] In *Wells v Attache Case Manufacturing Co Ltd* (1932) 49 RPC 113 **Luxmoore J held at p 119:**

The final decision must be the general impression gathered by the instructed eye of the court. Obviously slight variations of designs already in use cannot be the subject-matter of valid registration. The variation in what has gone before, unless it differs from what has been made before by something more than ordinary trade variants, must be plain.

[28] A useful summary from *Russell-Clarke and Howe on Industrial Designs (7th Ed)* para 3-152 reads as follows:

The question which has to be decided is whether the two appearances are substantially the same or not. That the eye, and the eye alone, is to be the judge of identity, and is to decide whether one design is or is not an anticipation of another, has been consistently laid down. The design must be looked at as a whole, the question being whether an article made according to the design under consideration is substantially similar in appearance to an article made according to the alleged anticipation. The test is not only to look at the two design side by side, but also apart, and a little distance away. The novelty should in other words be substantial ...

[29] Further on this point, the English Court of Appeal in the case of *Amp Incorporated v Utilux Pty Limited* [1970] RPC 397 at 430 held:

There is a long line of authorities from Le May v Welch (1885) 28 Ch D 24 at p 34 onwards, including such a case as Allen West v British Westinghouse Electric & Manufacturing (1916) 33 RPC 157 at p 165, which have laid down that to qualify as new or original a design must, when compared with the design of prior articles and other registered designs and published matter, show a substantial difference. Novelty or originality must be substantial, that is, must be present as a matter of substance, having regard to the nature of the article."

(emphasis added).

[55] According to s 17(1) IDA, the priority date of an application to register an industrial design is the date of the application. The priority date for the 2nd Plaintiff's RID is 9.5.2014 (**Priority Date**).

[56] Mr. Joel Lim has relied on LCL's RIDs (registered before the Priority Date) to prove that the 2nd Plaintiff's RID is not "new" as understood in s 12(1) and (2)(a) IDA.

[57] Based on **Three V Marketing** and the UK cases cited therein -

- (1) I have compared the 2nd Plaintiff's RID with LCL's RIDs (**Comparison**). The Comparison is done in the following manner -
 - (a) the 2nd Plaintiff's RID with LCL's RIDs are looked at as a whole;
 - (b) the 2nd Plaintiff's RID with LCL's RIDs are compared side by side; and
 - (c) the 2nd Plaintiff's RID and LCL's RIDs are put apart from each other and compared from a short distance away; and

- (2) as a matter of general impression, the Comparison reveals as follows -
 - (a) the 2nd Plaintiff's RID and LCL's RIDs are not identical;
 - (b) there are two differences between the 2nd Plaintiff's RID and LCL's RIDs (**Differences**) as follows -
 - (i) the 2nd Plaintiff's RID has ridges but LCL's RIDs have no such ridges; and
 - (ii) the base plates of LCL's RID's are affixed in a different manner than that of the 2nd Plaintiff's RID. This is because the 2nd Plaintiff's RID has "*legs*";
 - (c) the Differences are not "*immaterial details*". In other words, the 2nd Plaintiff's RID is substantially different from LCL's RID's; and
 - (d) the Differences are not "*variants commonly used in the trade*".

In view of the above reasons, I find as a fact that the 2nd Plaintiff's RID is "*new*" under s 12(1) IDA. Alternatively, I find as a fact that the Defendants have failed to discharge the onus to prove that the 2nd Plaintiff's RID is not new and has been anticipated by LCL's RIDs pursuant to s 12(2)(a) IDA.

I(4). Should court invalidate 2nd Plaintiff's RID?

[58] Based on the evidence and reasons stated in the above Parts I(1) to I(3), I dismiss the Defendants' application to invalidate the 2nd Plaintiff's RID with costs.

I(5). Have Defendants infringed 2nd Plaintiff's RID?

[59] Section 32(2) IDA states as follows:

"32(2) Subject to section 30, **a person infringes the rights conferred by the registration of an industrial design if he, without the licence or consent of the owner of the industrial design, does any of the following things while the registration is still in force:**

- (a) **applies the industrial design or any fraudulent or obvious imitation of it to any article in respect of which the industrial design is registered;**
- (b) **imports into Malaysia for sale, or for use for the purposes of any trade or business, any article to which the industrial design or any fraudulent or obvious imitation of it has been applied outside Malaysia without the licence or consent of the owner; or**
- (c) **sells, or offers or keeps for sale, or hires, or offers or keeps for hire, any of the articles described in paragraphs (a) and (b)."**

(emphasis added).

[60] It is decided in *Dart Industries Inc & Anor v CMN International Sdn Bhd & Ors and another case* [2019] MLJU 120, at [31], that a plaintiff has to prove the following three elements (**3 Elements**) in a RID infringement suit:

"[31] **Based on my understanding of the relevant provisions in IDA and the applicable cases, to succeed in a RID infringement action, the owner of a RID (plaintiff) has to prove all the following three elements against a defendant:**

- (1) **the RID is in force and has not been -**
 - (a) **expunged by the Court under s 24(1)(a) IDA; or**
 - (b) **revoked by the Court pursuant to s 27(1)(a) IDA. Section 34 IDA provides that any**

ground to revoke the registration of a RID constitutes a defence in a RID infringement suit (1st Element);

- (2) **no license or consent of the plaintiff has been obtained for the defendant's act in question (2nd Element); and**
- (3) **the defendant has committed any one of the following infringing acts (3rd Element) -**
- (a) **the defendant has applied the RID to any "article"** [please see the meaning of "article" in s 3(1) read with (2)(a), (b) and (c) IDA] in respect of which the RID is registered - please see s 32(2)(a) IDA;
 - (b) **the defendant has applied any "fraudulent imitation" of the RID (Fraudulent Imitation) to any article in respect of which the RID is registered** - please see s 32(2)(a) IDA;
 - (c) **the defendant has applied any "obvious imitation" of the RID (Obvious Imitation) to any article in respect of which the RID is registered** - please see s 32(2)(a) IDA;
 - (d) **when the defendant imports into Malaysia for -**
 - (i) **sale; or**
 - (ii) **use for the purposes of any trade or business****any article to which the RID, Fraudulent Imitation or Obvious Imitation has been applied outside Malaysia without the licence or consent of the plaintiff - please see s 33(2)(b) IDA;**
or
 - (e) **when the defendant -**
 - (i) **sells;**
 - (ii) **offers for sale;**
 - (iii) **keeps for sale;**
 - (iv) **hires;**
 - (v) **offers for hire; or**
 - (vi) **keeps for hire****any of the articles described in s 32(2)(a) or (b) IDA - please see s 32(2)(c) IDA."**

(emphasis added).

[61] In this case, the Defendants cannot invalidate the 2nd Plaintiff's RID - please see the above Part I(4). Nor has the 2nd Defendant a license or consent from the 2nd Plaintiff to use the 2nd Plaintiff's RID. Accordingly, the 2nd Plaintiff has proven the 1st and 2nd Elements in this case.

[62] Regarding the 3rd Element, I refer to **Dart Industries Inc**, at [32(5) to 32(7)], as follows:

"[32(5)] **to decide whether the defendant has applied -**

- (a) **the RID to the defendant's article;**
- (b) **a Fraudulent Imitation; or**
- (c) **an Obvious Imitation**

the Court shall undertake a visual comparison between the Registered Eye Appeal Features and the features of shape, configuration, pattern or ornament of the defendant's article (Comparison) - please see Suriyadi Halim Omar J's (as he then was) judgment in the High Court case of Honda Giken Kogyo Kabushiki Kaisha v Allied Pacific Motor (M) Sdn Bhd & Anor [2005] 3 MLJ 30, at paragraph 19.

The Comparison should be conducted as follows -

- (i) **the Comparison is done from the viewpoint of the Relevant Customer;**
- (ii) **the Registered Eye Appeal Features and the defendant's articles are placed side by side - please see the decision of Aldous J (as he then was) in UK's High Court case of Gaskell & Chambers Ltd v Measure Master Ltd [1993] RPC 76, at 79;**
- (iii) **it is a matter of "impression created on the eye" of the Relevant Customer - please see Lloyd-Jacob J's judgment in UK's High Court in W. Lusty & Sons Ltd v Morris Wilkinson & Co (Nottingham) Ltd (1954) 71 RPC 174, at 180;**
- (iv) **the Comparison is not conducted in a detailed manner. In Charles Henry Nevill & Ors v John Bennett & Sons (1898) 15 RPC 412, at 417, Hall VC decided as follows in the UK High Court -**

"I am afraid to go into any little details or too careful a comparison of the two, because all these cases the cleverer a designer the more careful he is that every detail shall be different. The whole thing can only be judged by looking at the effect, the general effect, and the general comparison of the two. ..."

(emphasis added); and

- (v) ***the test is "whether treated as wholes, there is a sufficient resemblance" between the Registered Eye Appeal Features and the defendant's article "to enable the Court to conclude that there is a substantial identity between them" - Lusty & Sons, at p. 180;***

(6) to determine whether the defendant has applied a Fraudulent Imitation -

- (a) ***the Court should first determine whether the defendant's article is an imitation of the RID - please see Farwell J's judgment in the UK High Court case of Dunlop Rubber Co Ltd v Golf Ball Development Ltd (1931) 48 RPC 268, at 279-280. Such a determination is done by way of the Comparison;***
- (b) ***according to Dunlop Rubber Co, if the defendant's article is an imitation of the plaintiff's RID -***
- (i) ***there is a Fraudulent Imitation if the defendant knows about the RID and has used the plaintiff's RID in respect of the defendant's article;***
 - (ii) ***the plaintiff is not required to prove that the defendant has a "deliberate intention to steal the property of the owner of the registered design";***
 - (iii) ***the plaintiff does not have to prove that the defendant has a fraudulent or dishonest intention. This is because a defendant may have applied a Fraudulent Imitation even if the defendant has an honest belief that the defendant has altered the plaintiff's RID so as to make a different design; and***
 - (iv) ***a Fraudulent Imitation is less apparent than an Obvious Imitation";***
- (c) ***the judgment of a five-member coram of the High Court of Australia (its apex Court) in Polyaire Pty Ltd v K-Aire Pty Ltd & Ors [2005] HCA 32 concerns s 30(1)(a) to (c) of the then applicable Designs Act 1906 [DA (Australia)]. Section 30(1)(a) to (c) DA (Australia) is similar to our s 32(2)(a) to (c) IDA. Hence, Polyaire may be referred to in the construction of s 32(2)(a) to (c) IDA. According to Polyaire -***
- (i) ***a Fraudulent Imitation may take place even though there is no dishonest concealment or disguise of the defendant's copying of the RID; and***
 - (ii) ***a Fraudulent Imitation is "a type of statutory fraud somewhat removed from fraud at common law, and the degree of moral turpitude or recklessness generally required for its establishment". It was decided in Polyaire that the "kind of fraud that [DA (Australia)] seeks to remedy is closer in kind to, but is still not entirely analogous with, equitable fraud, which, for its establishment, does not require that an actual intention to cheat must always be proved; proof of misconception of the extent of a person's obligation, to act or to refrain from acting in a particular way, may suffice"; and***
- (d) ***based on the Federal Court's judgment delivered by Richard Malanjum CJ (Sabah & Sarawak) (as he then was) in Sinnaiyah & Sons Sdn Bhd v Damai Setia Sdn Bhd [2015] 7 CLJ 584, at paragraphs 48-52, the plaintiff is only required to prove a Fraudulent Imitation on a balance of probabilities and not beyond all reasonable doubt; and***

(7) the defendant has applied an Obvious Imitation in the following circumstances -

- (a) ***the defendant's article is an imitation of the plaintiff's RID - Dunlop Rubber Co;***
- (b) ***based on Dunlop Rubber Co -***
- (i) ***a defendant has committed an Obvious Imitation if the defendant's article is***

- (ii) ***"something which is very close to the original design, the resemblance to the original design being immediately apparent to the eye looking at the two"; and there may be an Obvious Imitation even though the defendant may not know of the plaintiff's RID. There is no requirement for the plaintiff to prove that the defendant has made an Obvious Imitation of the plaintiff's RID; and***
- (c) ***a defendant may have committed an "innocent" infringement in respect of an Obvious Imitation. ..."***

(emphasis added).

[63] In Exhibit P4, the 2nd Defendant has offered to sell a product with the catalogue no. KGMU-20-W (**2nd Defendant's Article**). Based on **Dart Industries Inc**, regarding the 2nd Defendant's Article, I find as a fact that the 3rd Element has been proven on a balance of probabilities. This decision is based on the following evidence and reasons:

- (1) donning the mantle of the Relevant Customer, I have compared the 2nd Plaintiff's RID with the 2nd Defendant's Article side by side. As a matter of eye impression, without any detailed examination, I make the following findings of fact -
- (a) the 2nd Defendant has applied the 2nd Plaintiff's RID to the 2nd Defendant's Article; and
- (b) as an alternative to the finding in sub-paragraph (1)(a), the 2nd Defendant's Article is an imitation of the 2nd Plaintiff's RID because *"there is a sufficient resemblance"* between the RID's Features and the 2nd Defendant's Article *"to enable the Court to conclude that there is a substantial identity between them"*. I also find that such an imitation is -
- (i) a *"fraudulent imitation"* of the 2nd Plaintiff's RID because the 1st Defendant (as the 2nd Defendant's *alter ego*) knows about the 2nd Plaintiff's RID and the 2nd Defendant has used the 2nd Plaintiff's RID in producing the 2nd Defendant's Article. In fact, the 1st Defendant has possession of the Soft Copies (Works) and has refused to return the Soft Copies (Works) to the 2nd Plaintiff unless the 1st Defendant's Quotation is accepted by the Plaintiffs; **or**
- (ii) an *"obvious imitation"* of the 2nd Plaintiff's RID because the 2nd Defendant's Article is *"something which is very close to the [2nd Plaintiff's RID], the resemblance to the original design being immediately apparent to the eye looking at the two"*;
- (2) the 2nd Defendant has infringed the 2nd Plaintiff's RID (**2nd Defendant's RID Infringement**) by -
- (a) applying the 2nd Plaintiff's RID to the 2nd Defendant's Article - please see s 32(2)(a) IDA;
- (b) applying a *"fraudulent imitation"* of the 2nd Plaintiff's RID to the 2nd Defendant's Article - please see s 32(2)(a) IDA;
- (c) applying an *"obvious imitation"* of the 2nd Plaintiff's RID to the 2nd Defendant's Article - please see s 32(2)(a) IDA; **and/or**
- (d) selling, offering to sell or keeping for sale the 2nd Defendant's Articles - please see s 32(2)(c) IDA; and
- (3) the 1st Defendant is the controller of the 2nd Defendant [please see the above paragraphs 21(2) and 22]. Accordingly, the 1st Defendant is personally liable for the 2nd Defendant's RID Infringement.

J. Whether 1st Defendant has breached duties owed to 1st Plaintiff

[64] According to case law, as a director of the 1st Plaintiff, the 1st Defendant owed, among others, the following fiduciary duties to the 1st Plaintiff (**Fiduciary Duties**):

- (1) the 1st Defendant should avoid placing himself in a position where it is likely that his personal interest may be in conflict with the 1st Plaintiff's interest - please see the judgment of D'Cotta J in the Singapore High Court in *Chua Boon Chin v JM McCormack & Ors* [1979] 2 MLJ 156, at 159;
- (2) the 1st Defendant should not make a secret profit; and
- (3) the 1st Defendant should act *bona fide* in the interest of the 1st Plaintiff as a whole and not for his personal and ulterior reasons - please see GP Selvam J's decision in the Singapore High Court in *Polybuilding (S) Pte Ltd v Lim Heng Lee & Ors* [2001] 3 SLR 184, at [10(1)].

[65] This case does not concern the application of the present Companies Act 2016 (which comes into force on 31.1.2017). According to the then applicable s 132(1) of the Companies Act 1965 [CA (1965)], as a director of the 1st Plaintiff, the 1st Defendant "*shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office*" (**Statutory Duty**). This Statutory Duty is "*in addition to and not in derogation of*" the Fiduciary Duties which apply to the 1st Defendant - please see s 132(5) CA (1965).

[66] I find as a fact that the 1st Defendant has breached the Fiduciary Duties and Statutory Duty (**1st Defendant's Breaches**). This is because the 1st Defendant admitted in cross-examination that he had incorporated the 2nd Defendant when he was still a director of the 1st Plaintiff. The 2nd Defendant is a competitor of the 1st Plaintiff. It is thus clear that while holding the office as a director of the 1st Plaintiff -

- (1) the 1st Defendant has placed himself in a position where his personal interest (as the 2nd Defendant's *alter ego*) is likely to be at variance with the 1st Plaintiff's interest;
- (2) when the 2nd Defendant made profit from its sales, the 1st Defendant (as the 2nd Defendant's *alter ego*) would personally benefit. In this manner, the 1st Defendant had made a secret profit;
- (3) the 1st Defendant has failed to act *bona fide* in the interest of the 1st Plaintiff as a whole and not for his personal and ulterior reasons; and
- (4) the 1st Defendant did not act honestly and use reasonable diligence in the discharge of his duties as a director of the 1st Plaintiff.

K. Whether 1st Defendant owe fiduciary duty as employee of 3rd Plaintiff

[67] Ms. Cyndi Chow has submitted that the 1st Defendant owes fiduciary duties to the 3rd Plaintiff as its Production Manager. Regarding the question of whether an employee owes fiduciary duties to his or her employer, in *Muniandy A/L Nadasan & Ors v Dato' Prem Krishna Saghal & Ors* [2016] 11 MLJ 38, at [46], I have referred to cases decided in Singapore and UK. I am of the following view in **Muniandy**, at [47]:

"**[47]** Based on *Smile Inc Dental Surgeons, Nottingham University, Nagase Singapore Pte Ltd and Canadian Aero Service Ltd, an employee owes fiduciary duties to his or her employer in the following circumstances:*

- (1) *when the employment contract imposes specific contractual obligations on the employee which place the employee in a situation where Equity imposes fiduciary duties on the employee;*
- (2) *when the employee owes a special duty of "single minded or exclusive loyalty" to the employer; and/or*
- (3) *when the employee is in the "top management" of the employer with duties similar to those owed by company directors.*

I must add that the above circumstances where an employee owes fiduciary duties to his or her employer, are not exhaustive. The following considerations are relevant in ascertaining whether an employee owes fiduciary duties to his or her employer:

- (a) *the position of the employee in the organisation, structure and hierarchy of the employer, namely how senior is the employee; and*
- (b) *the nature and extent of the duties, functions and responsibilities of the employee."*

(emphasis added).

[68] I am of the view that as the 3rd Plaintiff's Production Manager, the 1st Defendant does not owe any

fiduciary duty to the 3rd Plaintiff. This decision is premised on the following evidence and reasons:

- (1) I have perused the 3rd Plaintiff's offer of employment which has been accepted by the 1st Defendant on 19.3.2014 (**Employment Contract**). I have considered the nature and extent of the 1st Defendant's duties, functions and responsibilities as the Production Manager of the 3rd Plaintiff. I have taken into account the position and seniority of the 1st Defendant in the 3rd Plaintiff's organizational structure; and
- (2) after considering all the matters stated in the above sub-paragraph (1), I do not find any one of the following circumstances which imposes fiduciary duties on the 1st Defendant as the 3rd Plaintiff's Production Manager -
 - (a) the Employment Contract does not impose any specific contractual obligation on the 1st Defendant which places him in a situation where Equity imposes fiduciary duties on him;
 - (b) the 1st Defendant does not owe a special duty of "*single minded or exclusive loyalty*" to the 3rd Plaintiff; and/or
 - (c) the 1st Defendant is not in the 3rd Plaintiff's "*top management*" with duties similar to those owed by company directors.

L. Has 1st Defendant breached implied contractual duty of fidelity as 3rd Plaintiff's employee?

[69] It is trite law that an employee owes an implied contractual duty of fidelity to his or her employer - please see the judgment of the Court of Appeal delivered by Nallini Pathmanathan JCA (as she then was) in *Soh Chee Gee v Syn Tai Hung Trading Sdn Bhd* [2019] 2 MLJ 379, at [45].

[70] I find as a fact that as the 3rd Plaintiff's Production Manager, the 1st Defendant has breached an implied contractual duty of fidelity owed to the 3rd Plaintiff. This decision is based on the following evidence and reasons:

- (1) as explained in the above paragraph 30, the 3rd Plaintiff owns the copyright in the Soft Copies (Works). Yet, despite the demands by the Plaintiffs' solicitors, the 1st Defendant refused to return the Soft Copies (Works) to the 3rd Plaintiff and instead, he claimed ownership of copyright in the Soft Copies (Works). To exacerbate the matter, the 1st Defendant offered to return the Soft Copies (Works) at a high price!; and
- (2) the 1st Defendant incorporated the 2nd Defendant which competes with the 3rd Plaintiff's business.

M. Counterclaim

[71] I have no hesitation to dismiss with costs the 1st Defendant's counterclaim for director's fees (from the 1st Plaintiff) and the Share Transfer Order. Firstly, this is due to the 1st Defendant's Breaches. Secondly, the 1st Defendant is not an honest witness (please see the above paragraph 19) and consequently, I cannot accept his evidence regarding the Alleged Agreement (3.10.2015). Lastly, I draw an adverse inference against the 1st Defendant under s 114(g) EA for not calling Mr. Lim and Ms. Loh to testify in respect of the Alleged Agreement (3.10.2015) - please see Mohd. Azmi SCJ's judgment in the Supreme Court case of *Munusamy v Public Prosecutor* [1987] 1 MLJ 492, at 494.

N. Whether adverse inference should be drawn against Defendants

[72] The Defendants had adduced a business card of Mr. Lim Boon Seng, MCE's Technical Director, as evidence in this case. Yet, the Defendants did not call this witness or any other witness from MCE to testify regarding MCE's purported role in preparing the CAD drawings (as alleged by the 1st Defendant). There was no evidence to explain why the Defendants could not have applied to court to issue a subpoena to compel any director or relevant employee of MCE to testify in this case. Accordingly, I draw an adverse inference against the Defendants under s 114(g) EA for suppressing material evidence regarding the role of MCE -

Munusamy. This adverse inference lends assurance to the decision in this case in favour of the Plaintiffs.

O. Court's decision

[73] A summary of the above decision is as follows:

- (1) the 2 Conditions have been fulfilled in this case for the court to pierce the corporate veil of KMET and 2nd Defendant to reveal that the 1st Defendant is their *alter ego*;
- (2) regarding the Works -
 - (a) copyright subsists in the Works;
 - (b) copyright belongs to the 2nd and 3rd Plaintiffs by virtue of s 26(2)(a) CA because the 2nd and 3rd Plaintiffs have commissioned KMET to produce the Works; and
 - (c) the 2nd Defendant has infringed the Copyright (2nd and 3rd Plaintiffs) under the 1st Limb of s 36(1) CA while the 1st Defendant -
 - (i) has "*caused*" such an infringement pursuant to the 2nd Limb; and/or
 - (ii) is personally liable for the 2nd Defendant's Copyright Infringement because he is the 2nd Defendant's *alter ego*;
- (3) in respect of the 2nd Plaintiff's RID -
 - (a) the court cannot expunge the 2nd Plaintiff's RID from the Register pursuant to s 24(1)(a) IDA or revoke the registration of the 2nd Plaintiff's RID under s 27(1)(a) IDA because -
 - (i) the RID Features have "*eye appeal*" under s 3(1) IDA;
 - (ii) the RID's Features are not dictated solely by the function which the 2nd Plaintiff's Article has to perform; and
 - (iii) the 2nd Plaintiff's RID is "*new*" within the meaning of s 12(1) and (2)(a) IDA; and
 - (b) the 2nd Defendant has infringed the 2nd Plaintiff's RID under s 32(2)(a) and/or (c) IDA. As the 2nd Defendant's *alter ego*, the 1st Defendant is personally liable for the 2nd Defendant's RID Infringement;
- (4) the 1st Defendant has breached Fiduciary Duties and Statutory Duty owed to the 1st Plaintiff as its director;
- (5) with regard to the 3rd Plaintiff -
 - (a) the 1st Defendant did not owe any fiduciary duty to the 3rd Plaintiff as its Production Manager; and
 - (b) the 1st Defendant has breached an implied contractual duty of fidelity owed to the 3rd Plaintiff; and
- (6) in view of, among others, the 1st Defendant's Breaches, the 1st Defendant is not entitled to director's fees from the 1st Plaintiff and the Share Transfer Order.

[74] Premised on the above evidence and reasons -

- (1) the Original Action is allowed with costs; and
- (2) the Counterclaim is dismissed with costs.