



Chambers Global Practice Guides

Definitive global law guides offering
comparative analysis from top-ranked lawyers

Trade Secrets 2022

Malaysia: Law & Practice

Lim Zhi Jian, Ng Lih Jiun, Alex Choo and Bahari Yeow
Gan Partnership

practiceguides.chambers.com

Law and Practice

Contributed by:

*Lim Zhi Jian, Ng Lih Jiun, Alex Choo and Bahari Yeow
Gan Partnership see p.25*



CONTENTS

| | | | |
|---|-------------|---|-------------|
| 1. Legal Framework | p.3 | 5. Trade Secret Litigation | p.18 |
| 1.1 Sources of Legal Protection for Trade Secrets | p.3 | 5.1 Prerequisites to Filing a Lawsuit | p.18 |
| 1.2 What Is Protectable as a Trade Secret | p.3 | 5.2 Limitations Period | p.18 |
| 1.3 Examples of Trade Secrets | p.4 | 5.3 Initiating a Lawsuit | p.18 |
| 1.4 Elements of Trade Secret Protection | p.4 | 5.4 Jurisdiction of the Courts | p.18 |
| 1.5 Reasonable Measures | p.4 | 5.5 Initial Pleading Standards | p.18 |
| 1.6 Disclosure to Employees | p.5 | 5.6 Seizure Mechanisms | p.19 |
| 1.7 Independent Discovery | p.6 | 5.7 Obtaining Information and Evidence | p.20 |
| 1.8 Computer Software and Technology | p.7 | 5.8 Maintaining Secrecy while Litigating | p.20 |
| 1.9 Duration of Protection for Trade Secrets | p.8 | 5.9 Defending against Allegations of Misappropriation | p.20 |
| 1.10 Licensing | p.9 | 5.10 Dispositive Motions | p.21 |
| 1.11 What Differentiates Trade Secrets from Other IP Rights | p.9 | 5.11 Cost of Litigation | p.21 |
| 1.12 Overlapping IP Rights | p.9 | 6. Trial | p.21 |
| 1.13 Other Legal Theories | p.10 | 6.1 Bench or Jury Trial | p.21 |
| 1.14 Criminal Liability | p.12 | 6.2 Trial Process | p.22 |
| 1.15 Extraterritoriality | p.13 | 6.3 Use of Expert Witnesses | p.22 |
| 2. Misappropriation of Trade Secrets | p.14 | 7. Remedies | p.22 |
| 2.1 The Definition of Misappropriation | p.14 | 7.1 Preliminary Injunctive Relief | p.22 |
| 2.2 Employee Relationships | p.15 | 7.2 Measures of Damages | p.23 |
| 2.3 Joint Ventures | p.15 | 7.3 Permanent Injunction | p.24 |
| 2.4 Industrial Espionage | p.15 | 7.4 Attorneys' Fees | p.24 |
| 3. Preventing Trade Secret Misappropriation | p.16 | 7.5 Costs | p.24 |
| 3.1 Best Practices for Safeguarding Trade Secrets | p.16 | 8. Appeal | p.24 |
| 3.2 Exit Interviews | p.16 | 8.1 Appellate Procedure | p.24 |
| 4. Safeguarding against Allegations of Trade Secret Misappropriation | p.16 | 8.2 Factual or Legal Review | p.24 |
| 4.1 Pre-existing Skills and Expertise | p.16 | 9. Criminal Offences | p.24 |
| 4.2 New Employees | p.17 | 9.1 Prosecution Process, Penalties and Defences | p.24 |
| | | 10. Alternative Dispute Resolution (ADR) | p.24 |
| | | 10.1 Dispute Resolution Mechanisms | p.24 |

1. LEGAL FRAMEWORK

1.1 Sources of Legal Protection for Trade Secrets

In Malaysia, the most important source of law is the written law, which comprises of the Federal Constitution, state constitutions, legislation and subsidiary legislation. Case law also form part of an important body of law.

Malaysia's Personal Data Protection Act 2010 (PDPA) is an Act of Parliament which regulates the processing of personal data in commercial transactions and provides for related matters.

Whilst the PDPA may be said to be an important source of law which to some extent govern "trade secrets" in Malaysia, for this chapter we shall exclude it from our discussions.

For trade secret and confidentiality protection, case law plays a pivotal role in providing the requisite guidelines in Malaysia.

1.2 What Is Protectable as a Trade Secret

The principle propounded by Megarry J in *Coco v A.N. Clark (Engineers) Ltd.* [1969] RPC 41, is deeply entrenched in Malaysian jurisprudence. Briefly, for so long as the information sought to be protected has the necessary quality of confidence, it will be guarded by law in Malaysia.

In *Lionex (M) Sdn Bhd v Allen Lim Lai Wah* [2016] 1 LNS 1799, Lau Bee Lan J held that what is confidential is a question of fact in each case. The relevant factors to be considered in deciding whether the information sought has the necessary quality of confidence include:

- the fact that skill and effort was expended to acquire the information;
- the fact that the information is jealously guarded by the employer, is not readily made

available to employees and could not, without considerable effort and/or risk, be acquired by others;

- the fact that it was plainly made known to the employee that the material was regarded by the employer as confidential;
- the fact that the usages and practices of the industry support the assertion of confidentiality;
- the fact that the employee in question has been permitted to share the information only by reason of their seniority or high responsibility within the employer's organisation.

These factors merely illustrate the approaches adopted by the courts to earlier cases where claims have been made for the protection of trade secrets or confidential information. What constitutes a trade secret varies from industry to industry.

Information which enters the public domain, or useless or trivial information, may not possess the necessary quality of confidence for protection.

If the information is mixed, being partly public and partly private, it does not take away the confidential nature of the information collated therein. In *Lionex* (supra), the court adopted the "springboard doctrine" in the English Court of Appeal case of *Seager v Copydex, Ltd.* [1967] 2 All ER 415 which held: "When the information is mixed, being partly public and partly private, then the recipient must take special care to use only the material which is in the public domain. He should go to the public source and get it: or, at any rate, not be in a better position than if he had gone to the public source. He should not get a start over others by using the information which he received in confidence".

1.3 Examples of Trade Secrets

The following are some examples which have been judicially recognised as being confidential in nature and being considered as trade secrets:

- information relating to costs prices, quoted prices, specific needs and requirements of the customers and suppliers, status of all ongoing negotiations with the customers, and price list – *Schmidt Scientific Sdn Bhd v Ong Han Suan & Ors* [1998] 1 CLJ 685;
- compilations of information and data of suppliers and customers and the individual contacts thereof – *Worldwide Rota Dies Sdn Bhd v Ronald Ong Cheow Joon* [2010] 8 MLJ 297; *Lionex* (supra);
- internal marketing strategies;
- internal financial data and information;
- know-how and business strategy;
- customer list or customer list deliberately memorised by the employee with the intention of using it later;
- a list of names of suppliers and customers and the individual contracts: *Lionex* (supra);
- a list of prices negotiated with and quoted to various customers, contents of various agreements, records of sales, requirements of customers – *Certact Pte. Ltd. v Tang Siew Choy & Ors.* [1991] 4 CLJ (Rep) 716;
- stock listing on various locations as well as certification information – *Lionex* (supra);
- trade secret or information, as lucidly laid down by Lord Goff of Chieveley in *Attorney-General v Observer Ltd. And Others, Attorney-General v Times Newspapers Ltd. And Another* [1990] 1 A.C. 109, including “certain situations, beloved of law teachers – where an obviously confidential document is wafted by an electric fan out of a window into a crowded street, or where an obviously confidential document, such as a private diary, is dropped in a public place, and is then picked up by a passer-by” – *Worldwide Rota* (supra).

1.4 Elements of Trade Secret Protection

In order to succeed in an action for breach of confidence or trade secret, the plaintiff must prove the documents and information:

- were of a confidential nature;
- were communicated in circumstances importing an obligation of confidence; and
- were used in an unauthorised way to the detriment of the plaintiff – *China Road & Bridge Corporation & Anor v DCX Technologies Sdn Bhd* [2014] 7 CLJ 644, *Coco v A. N. Clark (Engineers) Ltd* [1969] R.P.C. 41, *Seven Seas Industries Sdn Bhd v Philips Electronic Supplies (M) Sdn Bhd & Anor* [2008] 4 CLJ 217 – *Lionex* (supra).

It is important to bear in mind that, under the law of confidence, disclosure of confidential information may be permitted on the grounds that there is an overriding public interest in having those facts placed in the public domain.

The defence of public interest would involve, for example, the disclosure of evidence concerning the commission of criminal offences and other serious unlawful/antisocial conduct (eg, tax evasion): “There is no confidence as to the disclosure of an iniquity” – *Ng Kim Fong v Menang Corporation (M) Berhad* [2020] 1 LNS 1263, CA.

1.5 Reasonable Measures

As noted, the courts will only lend aid to provide protection if the document or information sought to be protected has the necessary quality of confidence.

Whilst the existence of reasonable measures may not be a prerequisite for a trade secret owner to enjoy protection of its trade secret, failure to take proper or reasonable measures may compromise the nature of information to be protected.

For example, if a particular information enters the public domain, it may prejudice the trade secret owner's action in court. Thus, it is always prudent for reasonable measures to be taken to ensure its intangible assets and its intellectual property are jealously guarded. The following should be noted:

- the higher the value of the trade secret, the more measures need to be taken, and less accessibility should be granted to employees or any third party;
- it is a good practice to make known to the employee (or recipient) the confidential nature of the documents or information;
- whilst the protection of trade secret does not depend on any contract, express or implied terms, or otherwise, and it depends on the broad principle of equity (that a person who has received information in confidence shall not take unfair advantage of it), when there is an agreement (eg, an employment agreement or non-disclosure and confidential agreement) which clearly spells out the terms (including restrictive covenants), it may elevate certain controversies at the time of disputes;
- there should be a clear policy, including restricting disclosure and accessibility;
- secure passwords and tailored "access profiles" are recommended;
- where practicable, there should be proper categorisation, marking and labelling of documents and information;
- proper storage of documents and information is essential.

1.6 Disclosure to Employees

In general, an employee owes the employer duty of fidelity and good faith while in the employment.

This duty of good faith or fidelity does not just require that the employee refrains from misuse or from disclosing information whilst still in the

employment. There is also an implied duty that prohibits the employee from using any confidential information obtained during their employment, without the employer's consent, for their own or someone else's use after the employment contract ends.

In Schmidt Scientific Sdn Bhd, *supra*, the court held that: "it is a breach of the fidelity clause and the implied duty to remove a customer list or to deliberately set out to memorise the said list with the intention of using it later, even though any use or disclosure is confined to the post-employment period. In such a case the eventual exploitation of the information is considered to be no more than an extension of the original breach of good faith and fidelity."

In Robb v Green [1895] 2 QB 315, the Court of Appeal held that the employee was in breach of an implied term of the contract of service in making copies of their employer's list of customers' names and addresses, with the intention of using it for the purpose of soliciting orders from them after they have left their employer's service and set up a similar business on their own account.

Lord Esher MR said at pp. 316, 317: "the question is whether such conduct was not what any person of ordinary honesty would look upon as dishonest conduct towards his employer and a dereliction from the duty which the defendant owed to his employer to act towards him with good faith. I think the judge was perfectly justified in holding that such conduct was a breach of the trust reposed in the defendant as the servant of the plaintiff in his business. The question arises whether such conduct is a breach of contract. That depends upon the question whether in a contract of service the court can imply a stipulation that the servant will act with good faith towards his master. In this case it is said that the contract of service was in writing; but

there is nothing in the express terms of the contract that contradicts such an implication. I think that in a contract of service the court must imply such a stipulation as I have mentioned, because it is a thing which must necessarily have been in view of both parties when they entered into the contract.”

The above has been accepted by Malaysian Courts in various decisions – for example, *Lionex (supra)* and *Worldwide Rota (supra)*.

Notwithstanding the above, it is important to bear in mind that the plaintiff must establish to the satisfaction of the court three elements in order to succeed in an action for breach of confidence or trade secret, namely:

- that the information which the plaintiff is seeking to protect is of a confidential nature;
- that the information in question was communicated in circumstances importing an obligation of confidence; and
- that there must be an unauthorised use of that information to the detriment of the party communicating it.

Whilst disclosure of a trade secret to employees may not, in general, directly affect the availability of protection for the trade secret, it is important that certain measures be put in place so that the rights of the employers are not compromised.

In the context of a relationship between employer and an ex-employee, the law of confidentiality has been set out clearly as follows.

- Information which because of its trivial character or easy accessibility from public resources cannot be regarded by reasonable persons or by the law as confidential. The employee is at liberty to disclose it during their service or afterwards as they pleases, even to a competitor.

- Information which the employee must treat as confidential (either because they are expressly told it is or because from the character it is obviously confidential) but which once learned necessarily remains in the employee’s head and becomes part of their own skill and knowledge applied in the course of their employer’s business. So long as the employment continues, they cannot otherwise use or disclose such information, but when they are no longer in the same service, the law allows them to use their full skill and knowledge for their own benefit in competition with their former employer.
- Specific trade secrets so confidential that, even though they may necessarily have been learned by heart, and even though the employee may have left the service, cannot lawfully be used except for the employer’s benefit.

The principles cited in the above authorities have been adopted and applied by many local cases, including the cases of *Regent Decorators (M) Sdn Bhd & Anor v Michael Chee & Ors* [1984] 2 CLJ Rep 441, *Schmidt Scientific Sdn Bhd v Ong Han Suan* [1998] 1 CLJ 685, *Electro Cad Australia Pty Ltd & Ors v Mejati RCS Sdn Bhd & Ors* [1998] 3 MLJ 422, *Svenson Hair Center Sdn Bhd v Irene Chin Zee Ling* [2008] 8 CLJ 386, and *Worldwide Rota Dies Sdn Bhd v Ronald Ong Cheow Joon* [2010] 8 MLJ 297.

1.7 Independent Discovery

The fact that a product is sold in the market does not necessarily destroy the confidential information relating to how it is produced, even if it is possible to discover the confidential information through reverse engineering. If, for example, substantial work is required to analyse a product and discover the confidential information on how the product is produced, such information remains confidential.

However, the law on trade secrets is not intended to place fetters on the ability of anyone to compete. The use of technological advances and innovations, including independent discovery or reverse engineering, may be acceptable in law.

When the information is mixed, being partly public and partly private, then the recipient must take special care to use only the material which is in the public domain. The recipient should go to the public source and get it – or, at any rate, not be in a better position than if they had gone to the public source. The recipient should not get a start over others by using any information which they received in confidence: Seager (supra).

1.8 Computer Software and Technology

The discussion above is applicable to computer software and/or technology.

Apart from trade secret protection, computer software and/or technology may be the subject matter for protection under:

- copyright;
- patent;
- trade mark.

The IP laws are important to accord protection to computer software and/or technology, particular when the computer software and/or technology are developed for commercialisation.

Copyright

Literary work is eligible for copyright protection in Malaysia: Section 7(1)(a) of the Copyright Act 1987. “Literary work” includes:

- tables or compilations, whether or not expressed in words, figures, or symbols and whether or not in a visible form; and

- computer programs – Section 3 Copyright Act 1987.

“Computer program” means an expression, in any language, code or notation, of a set of instructions (whether with or without related information) intended to cause a device having an information-processing capability to perform a particular function, either directly or after either or both of the following:

- conversion to another language, code or notation;
- reproduction in a different material form – Section 3 of the Copyright Act 1987.

This is applicable if:

- sufficient effort has been expended to make the work original in character; and
- the work has been written down, recorded or otherwise reduced to material form; and
- the author of the work is a “qualified person” under the Copyright Act 1987.

These conditions being met, works shall be protected irrespective of their quality and the purpose for which they were created.

The owner of copyright in a literary work or a derivative work shall have the exclusive right to control in Malaysia of:

- reproduction in any material form;
- communication to the public;
- distribution of copies to the public by sale or other transfer of ownership; and
- commercial rental to the public.

The aforesaid applies to the whole work or a substantial part thereof, either in its original or derivative form.

Patent

An invention is patentable if it is new, involves an inventive step and is industrially applicable: Section 11 of the Patents Act 1983.

An invention, may either be a product or process, and permits in practice the solution to a specific problem in the field of technology.

An invention is new if it is not anticipated by prior art: Section 14(1) of the Patents Act 1983.

Prior art shall consist of:

- everything disclosed to the public, anywhere in the world, by written publication by oral disclosure, by use or in any other way, prior to the priority date of the patent application claiming the invention;
- the contents of a domestic patent application having an earlier priority date than the patent application to the extent that such contents are included in the patent granted on the basis of the said domestic patent application.

An invention shall be considered as involving an inventive step if, having regard to any matter which forms part of the prior art, such inventive step would not have been obvious to a person having ordinary skill in the art: Section 15 of the Patents Act 1983.

If the computer software and/or technology is new, involves an inventive step and is industrially applicable, it may qualify for protection under the law of patent in Malaysia.

The owner of a patent shall have the following exclusive rights in relation to the patent:

- to exploit the patented invention;
- to assign or transmit the patent;
- to conclude licence contracts.

Trade Marks

Trade mark law accord certain protection for computer software and/or technology. Whilst it does not protect, for example, code or the contents of the software, it protects the brand name and trade marks (including its logo).

1.9 Duration of Protection for Trade Secrets**Duration**

In *Dynacast (Melaka) Sdn Bhd v Vision Cast Sdn Bhd* [2016] 6 CLJ 176, the Federal Court affirmed the principle of law in *Svenson Hair Center Sdn Bhd v Irene Chin Zee Ling* [2008] 8 CLJ 386 that protection of confidential information and trade secret “does not have any time limits” is a correct statement of law.

In coming up with such a proposition of law, the court rationalised that a contrary view would mean an ex-employee could exploit confidential information with impunity. All that is needed to do is to wait until the expiry of the restriction period. Such an outcome could not have been intended by any of the contracting parties as it would defeat the very purpose of having a confidentiality provision in an employment agreement.

The only caveat to be placed on this is the criteria as set out in **1.4 Elements of Trade Secret Protection**.

Effect of Disclosure

The principle propounded by Megarry J in *Coco v A.N. Clark (Engineers) Ltd.* [1969] RPC 41, is deeply entrenched in Malaysian jurisprudence. Disclosure of trade secrets may or may not have an impact on the trade secret owner’s rights.

For example, if a disclosure is made in a haphazard manner, and the disclosure results in the trade secret being widely circulated in the public

domain, it may result in the document or information losing its confidential nature.

Thus, if the trade secret owner decides to disclose certain trade secrets to a third party or any person, it is crucial that the recipient is made aware that the trade secret was communicated in circumstances imparting an obligation of confidence.

Accidental Disclosure

In general, an accidental disclosure does not ipso facto mean that the trade secret loses its confidential nature.

As rightly noted in *Attorney-General v Observer Ltd. And Others*, *Attorney-General v Times Newspapers Ltd. And Another* [1990] 1 A.C. 109, “where an obviously confidential document is wafted by an electric fan out of a window into a crowded street”, or “where an obviously confidential document, such as a private diary, is dropped in a public place, and is then picked up by a passer-by”, duty of confidence may arise in equity independently of such cases to protect those trade secret: *Worldwide Rota* (supra).

However, it is important that immediate steps be taken to retrieve these trade secrets, prevent further disclosure of such information or control its circulation.

1.10 Licensing

The trade secret owner, being the proprietor of its intangible assets and/or intellectual property, certainly possesses rights, like any other proprietary right to grant any party license.

In order to maintain the value of the trade secret and not allow the licensee to dilute the value, or harm the nature of the trade secret to the extent that it loses its “quality of confidence”, it is important that the parameter of use is expressly spelt out in the agreement between the parties.

Certain measures and terms ought to be expressly provided. For example, the agreement may expressly spell out:

- the ownership of the trade secret;
- obligations on the licensee to observe the obligation of confidence;
- duration of such obligation (eg, “forever” and in perpetuity);
- measures to be taken by the licensee include:
 - (a) restricting disclosure and accessibility;
 - (b) proper storage of documents and information;
 - (c) steps to be taken in the event of accidental disclosure.

1.11 What Differentiates Trade Secrets from Other IP Rights

Intellectual property includes copyright, patent, industrial design and trade marks.

The term “trade secrets” speaks volume. The information or documents which has quality of confidence ought to be jealously guarded and not readily available or accessible by others for it to be “secret”. The higher the value of the “secret”, the more onerous measure ought to be taken to store it. For this obvious reason, there will be no registration available or no requirement for registration of a trade secret for it to enjoy legal protection.

On the other hand, a registration mechanism is available for patent, industrial design and trade marks. In particular, for patent and industrial design, the IP owner ought to file for registration prior to its disclosure to the public.

1.12 Overlapping IP Rights

Generally, there is no restriction for a plaintiff to assert trade secret rights in combination with other types of intellectual property rights. The only caveat is that it fulfils the requisite require-

ment of the respective branch of intellectual property.

By way of an example, a trade secret owner may claim for protection in tort to protect its trade secret, and at the same time establish protection under the law of copyright, provided, for example, the necessary requirements for the subsistence of the copyright are met.

Generally, there is no restriction for a plaintiff to assert trade secret rights in combination with other types of intellectual property rights. The only caveat is that it fulfils the requisite requirement of the respective branch of intellectual property.

A trade secret owner may claim for protection in tort to protect its trade secret, and at the same time claim protection under the law of copyright, provided, for example, the necessary requirements for the subsistence of the copyright are met.

Category

The subject matter of the trade secret may be one of the following:

- literary works;
- musical works;
- artistic works;
- films;
- sound recordings; and
- broadcasts.

Criteria

The following criteria must be met:

- sufficient effort has been expended to make the work original in character;
- the work has been written down, recorded or otherwise reduced to material form;

- the trade secret does not merely consist of an idea, procedure, method of operation or a mathematical concept.

Author

The author of the work is a qualified person, namely:

- a citizen of, or a permanent resident in, Malaysia; or
- a body corporate established in Malaysia and constituted or vested with legal personality under the laws of Malaysia.

1.13 Other Legal Theories

The third element which the plaintiff is required to establish in an action for breach of confidence or trade secret is the documents and information were used in an unauthorised way to the detriment of the plaintiff. Whilst “misappropriation” may complete the equation in a claim for breach of confidence, the element to be established is in essence “unauthorised use”.

Here (as in all cases), one need not put all one’s eggs into one basket. One may formulate a claim, for example, based on breach of statutory duty, breach of fiduciary duty or tortious claim based on unlawful interference of trade or unlawful interference of contract. We shall briefly discuss these different causes of action.

Breach of Statutory Duty

A director of a company shall at all times exercise their powers for a proper purpose and in good faith in the best interest of the company: Section 213(1) of the Companies Act 2016.

A director of a company shall exercise reasonable care, skill and diligence with:

- the knowledge, skill and experience which may reasonably be expected of a director having the same responsibilities; and

- any additional knowledge, skill and experience which the director has – Section 213(2) of the Companies Act 2016.

Any breach of the aforesaid duties may be an offence. The company may also initiate action against the director for breach of their statutory duties.

Breach of Fiduciary Duty

A fiduciary is someone who has undertaken to act for or on behalf of another in a particular matter in circumstances which give rise to a relationship of trust and confidence: the Board of Trustees of the Sabah Foundation & Ors v Datuk Syed Kechik Syed Mohamed & Anor [2008] 3 CLJ 221.

For example, a director has three broad categories of duties: fiduciary duties, duties of skill, care and diligence and statutory duties.

- A director's main and overriding duty is to act in what they honestly consider to be the company's interests, and not in the interests of some other person or body.
- A director must not place himself in a position where their duty to the company and their own personal interests may conflict.
- A director must employ the powers and assets that they are entrusted with for the purposes for which they were given, and not for any collateral purpose: *Lionex (supra)*.

A director must act in good faith; they must not make a profit out of their trust; they must not place themselves in a position where their duty and their interest may conflict; they may not act for their own benefit or the benefit of a third person without the informed consent of their principal: *Board of Trustees of the Sabah Foundation (supra)*.

When the director is disloyal or unfaithful, the principal is entitled to bring an action against the director for breach of fiduciary duties.

Unlawful Interference of Trade

Very briefly, the elements which constitute the tort of unlawful interference with trade or business are:

- interference with the plaintiff's trade or business;
- unlawful means;
- intention to injure the plaintiff; and
- the plaintiff is injured thereby – *H & R Johnson (Malaysia) Bhd v H & R Johnson Tiles Limited & Anor* [1995] 2 CLJ 581, *Megnaway Enterprise Sdn Bhd v Soon Lian Hock* [2009] 8 CLJ 130.

Unlawful Interference of Contract

In order to succeed in a claim for tort of inducing a breach of contract, five conditions are to be fulfilled:

- there must be (i) "direct" interference or (ii) "indirect" interference coupled with the use of unlawful means;
- the defendant must be shown to have knowledge of the relevant contract;
- the defendant must be shown to have had the intent to interfere with it;
- in bringing an action, other than a quia timet action, the plaintiff must show that they suffered special damage, and that it is more than nominal damage;
- in any quia timet action, the plaintiff must show the likelihood of damage to themselves that would result if the act of interference is successful;
- so far as it is necessary, the plaintiff must successfully rebut any defence based on justification which the defendant may put forward – *Loh Holdings Sdn Bhd v Peglin Development Sdn Bhd & Anor* [1984] 2 MLJ

105, SV Beverages Holdings Sdn Bhd & Ors v Kickapoo (Malaysia) Sdn Bhd [2008] 4 CLJ 20, Lionex (supra).

Specific Relationship

In some relationships – for example, between an advocate and solicitors and a client – the law imposed certain specific obligations.

Section 126 of the Evidence Act provides that no advocate shall be permitted, unless with their client's express consent, to disclose any communication made to them in the course and for the purpose of their employment, or to state the contents or condition of any document with which they have become acquainted in the course and for the purpose of their professional employment, or to disclose any advice given by them to their client in the course and for the purpose of such employment:

The above obligation does not apply for:

- any such communication made in furtherance of any illegal purpose;
- any fact observed by any advocate in the course of their employment as such, showing that any crime or fraud has been committed since the commencement of their employment.

1.14 Criminal Liability

A trade secret owner may pursue a claim against an infringer in a civil claim.

In addition to the remedy in a civil claim, an infringer may commit an offence for misappropriation of a trade secret, which is the “property” of another. For example, the following.

Section 378 of the Penal Code

Offence

Whoever, intending to take dishonestly any movable property out of the possession of any

person without that person's consent, and who moves that property in order to facilitate such taking, is said to commit theft.

The words “movable property” are intended to include corporeal property of every description, except land and things attached to the earth, or permanently fastened to anything which is attached to the earth: Section 22.

Penalty

Seven years imprisonment and/or a fine or with both; a second or subsequent offence shall be punished with imprisonment and shall also be liable to a fine or to whipping.

Section 403 of the Penal Code

Offence

An offence is committed by whoever dishonestly misappropriates, or converts to their own use, or causes any other person to dispose of, any property.

Penalty

Imprisonment for a term which shall not be less than six months and not more than five years, whipping and liability to a fine.

Section 3 of the Computer Crimes Act 1997

Offence

A person shall be guilty of an offence if:

- they causes a computer to perform any function with intent to secure access to any program or data held in any computer;
- the access they intend to secure is unauthorised; and
- they know at the time when they cause the computer to perform the function that that is the case.

Penalty

A fine not exceeding MYR50,000 and/or imprisonment for a term not exceeding five years.

Section 3 of the Computer Crimes Act 1997

Offence

A person shall be guilty of an offence if they communicate directly or indirectly a number, code, password or other means of access to a computer to any person other than a person to whom they are duly authorised to communicate.

Penalty

A fine not exceeding MYR25,000 and/or imprisonment for a term not exceeding three years.

Section 218 of the Companies Act 2016

Offence

A director or officer of a company shall not, without the consent or ratification of a general meeting:

- use the property of the company;
- use any information acquired by virtue of their position as a director or officer of the company;
- misuse their position as such director or officer;
- exploit any opportunity of the company which they became aware of, in the performance of their functions as the director or officer of the company; or
- engage in business which is in competition with the company, to gain – directly or indirectly – a benefit for themselves or any other person, or cause detriment to the company.

Penalty

Imprisonment for a term not exceeding five years and/or a fine not exceeding MYR3 million.

1.15 Extraterritoriality

A claim for breach of trade secret is a tortious claim.

The High Court shall have jurisdiction to try (within the local jurisdiction of the Court: Sec-

tion 23(1) of the Courts of Judicature Act 1964) all civil proceedings where:

- the cause of action arose;
- the defendant or one of several defendants resides or has their place of business;
- the facts on which the proceedings are based exist or are alleged to have occurred; or
- any land the ownership of which is disputed is situated.

Section 23(1) of the Courts of Judicature Act 1964 may confer extra territorial jurisdiction on the High Court. In determining whether the High Court had jurisdiction, the issue to be considered is whether the statement of claim disclosed that the plaintiff's action was based principally on:

- whether the causes of action arose within Malaysia;
- whether the defendant or one of several defendants resides or has their place of business;
- whether the facts on which the proceedings were based in this case occurred or are alleged to have occurred within Malaysia: *Goodness for Import and Export v Phillip Morris Brands Sarl* [2016] 7 CLJ 303.

Whilst misappropriation may occur in another jurisdiction, if there is use of the trade secret in Malaysia in an unauthorised way to the detriment of the plaintiff, the Malaysian court will have jurisdiction to hear the claim by the plaintiff in Malaysia.

2. MISAPPROPRIATION OF TRADE SECRETS

2.1 The Definition of Misappropriation Civil Action

The three elements to be established in order to succeed in an action for breach of confidence are:

- the information sought to be protected has the necessary quality of confidence;
- the information was communicated in circumstances importing an obligation of confidence; and
- there must be unauthorised use of that information to the detriment of the party communicating it.

In respect of the last-named element, it may be argued that “misappropriation” per se may not have completed the requirement. The plaintiff may need to establish that there must be “unauthorised use” and that such use is to the “detriment” of the plaintiff.

A trade secret is an intangible asset of the plaintiff, and it is the intellectual property of the plaintiff. The fact that the defendant has wrongfully gained access to the trade secret without permission of the plaintiff may show that such access amounts to use.

In *Svenson Hair Center Sdn Bhd v Irene Chin Zee Ling* [2008] 8 CLJ 386, the Court held that: “it must be recognised that particulars such as customer’s names, lists and details have also been judicially recognised as being confidential in nature, and wrongful utilisation of such particulars warrants injunctive protection”.

In *Schmidt Scientific Sdn Bhd v Ong Han Suan & Ors* [1998] 1 CLJ 685, the court held the following: “Thus, it is a breach of the fidelity clause and the implied duty to remove a customer list or

to deliberately set out to memorise the said list with the intention of using it later, even though any use or disclosure is confined to the post-employment period. In such a case the eventual exploitation of the information is considered to be no more than an extension of the original breach of good faith and fidelity. In *Robb v Green* [1895] 2 QB 315 the Court of Appeal held that the employee was in breach of an implied term of the contract of service in making copies of his employer’s list of customers’ names and addresses, with the intention of using it for the purpose of soliciting orders from them after he had left his employer’s service and set up a similar business on his own account.”

Thus, when the defendant has misappropriated the trade secret, and had gained access to the trade secret, it is inherently improbable to accept the argument that there is no “use” of the trade secret. The fact that one has gained access to the trade secret without permission may show that there is an intention to refer to or use such information at a later date. In fact, obtaining information is akin to obtaining an advantage. Based on the decided cases, such may be sufficient to fulfil the third requirement to complete the equation for a claim for breach of confidentiality.

Innocent “misappropriation” or “accidental misappropriation” may not be a valid defence for an action for breach of confidence.

Criminal Action

For criminal action, the burden of the prosecutor is higher. Mens rea is an important component. For example, the following.

Section 378 of the Penal Code

A person may be guilty of an offence if there is intention to take dishonestly a trade secret out of the possession of the trade secret owner without the trade secret owner’s consent.

Section 403 of the Penal Code

A person may be guilty of an offence if they dishonestly misappropriate, or convert to their own use, or cause any other person to dispose of, any property.

Section 3 of the Computer Crimes Act 1997

A person shall be guilty of an offence if:

- they cause a computer to perform any function with intent to secure access to any program or data held in any computer;
- the access they intend to secure is unauthorised; and
- they know at the time when they cause the computer to perform the function that that is the case.

2.2 Employee Relationships

The principle propounded by Megarry J in *Coco v A.N. Clark (Engineers) Ltd.* [1969] RPC 41, is deeply entrenched in Malaysian jurisprudence. The elements to be established for a claim for trade secret is applicable whether the person who misappropriated the trade secret is an employee of the owner or otherwise.

For employees, such person is a “fiduciary”. The employer is entitled to the single-minded loyalty of their fiduciary. The employee has the implied duty to act in good faith. They must not make a profit out of their trust, must not place themselves in a position where their duty and their interest may conflict, and may not act for their own benefit or the benefit of a third person without the informed consent of their employer.

In brief, the law imposes the core duties of loyalty and fidelity on the employee. Breach of fiduciary obligation, therefore, connotes disloyalty or infidelity.

During employment, the duty of fidelity prevents an employee from acting in conflicts with their

employee, irrespective of whether the information used is confidential or otherwise. The duty of fidelity may continue after the termination of employment, albeit the scope of duty is narrower.

In *Mohamed Mohamed Hanafiah v MRCB Sentral Properties Sdn Bhd* [2022] 1 ILR 553, the court held that an employee has obligations towards their employer that arises from the implied and express terms of the contract of employment. Any breach of these terms, unless it is of a trifling nature, would amount to misconduct.

2.3 Joint Ventures

The law equally recognises the existence of obligations between joint venturers with respect to their respective trade secrets.

2.4 Industrial Espionage

In *Worldwide Rota* (supra), one of the employees was asked to join the defendant’s company. They were instructed to obtain as much information as possible about the plaintiff before joining the defendant’s company. The court found that the employee was asked by the defendant to spy on the plaintiff for the benefit of the defendant, and this is akin to an industrial espionage.

For industrial espionage, there may be basis for the plaintiff to claim for aggravated damages or exemplary damages over and above general damages and injunctive order.

In *Worldwide Rota* (supra), the court held that whenever the defendant’s conduct is sufficiently outrageous to merit punishment in situations where the defendant’s conduct discloses malice, fraud, cruelty, insolence or the like, then exemplary damages would be granted. Lord Devlin in *Rookes v Barnard And Others* [1964] AC 1129, at page 1226, aptly said that: “an award of exemplary damages can serve a useful purpose in vindicating the strength of the law and thus affording a practical justification for admitting

into the civil law a principle which ought logically to belong to the criminal.”

“Where a defendant with a cynical disregard for a plaintiff’s rights has calculated that the money to be made out of his wrongdoing will probably exceed the damages at risk, it is necessary for the law to show that it cannot be broken with impunity. This category is not confined to money-making in the strict sense. It extends to cases in which the defendant is seeking to gain at the expense of the plaintiff some object – perhaps some property which he covets – which either he could not obtain at all or not obtain except at a price greater than he wants to put down.”

3. PREVENTING TRADE SECRET MISAPPROPRIATION

3.1 Best Practices for Safeguarding Trade Secrets

There is no dearth of literature which suggest various “best practices” to safeguard trade secrets, but these practices are merely suggested guidelines.

Where there’s a will, there’s a way. It is important that an organisation embraces trade secret protection and instils the culture from top level down.

Taking stock of what the organisation possesses, and what is properly regarded as a trade secret is always a fundamental start.

For example:

- implement proper internal policies for intellectual property rights;
- maintain an holistic system with regard to record-keeping, storage, document classification, control accessibility and retention;

- develop a proper regime and procedures with regard to the system;
- formulate proper terms and conditions in employment agreements and agreements with third parties in the event of any disclosure of trade secret (eg, a non-disclosure and confidentiality agreement);
- conduct a periodic audit;
- provide employee training and awareness programmes;
- set up a team and develop a plan to react in the event of a breach.

3.2 Exit Interviews

An exit interview for departing employees is often conducted in Malaysia and is generally conducted by a member of the human resources department. Such interview affords the organisation the opportunity to obtain full and frank feedback from the departing employees.

Properly worded terms of employment impose obligations on the employees, whether during the term of employment or thereafter, regarding their duties of confidentiality, and the employees would thereby have already assured the organisation with respect to confidentiality and/or trade secrets.

4. SAFEGUARDING AGAINST ALLEGATIONS OF TRADE SECRET MISAPPROPRIATION

4.1 Pre-existing Skills and Expertise

There is no fiduciary duty against legitimate competition between directors (including employees) with a company upon resignation.

There may not be any restriction for the employee to use their general knowledge and skills in any undertaking post-employment.

What is being guarded by law is information that has the necessary quality of confidence. If the impugned “information” was from within the general fund of the employee’s own knowledge, exposure and experience accumulated in the industry over the years, there may be no grounds to hold that there had been a “breach of fiduciary duty” or even a breach of confidentiality: *Vision Cast Sdn Bhd v Dynacast (Melaka) Sdn Bhd* [2014] 8 CLJ 884.

The factors relevant to determining whether a given body of information is confidential include:

- the extent to which the information is known outside the owner’s business;
- the extent to which it is known by employees and others involved in the business;
- the extent of measures taken by the owner to guard the secrecy of the information;
- the value of the information to the owner and their competitors;
- the amount of effort or money expended by the owner in developing the information;
- the ease or difficulty with which the information could be properly acquired or duplicated by others (ie, by their independent endeavours) – *Electro Cad Australia Pty Ltd v Mejati RCS Sdn Bhd* [2008] 4 CLJ 217.

In *Philip Morris Products SA v Ong Kien Hoe* [2010] 2 CLJ 106, the learned judge Mary Lim (now FCJ) held: “Innocence is therefore not a defence to an infringement of registered trade mark”.

Based on the same rationale, “inevitable disclosure” may not accord any defence to the infringer if the elements for breach of confidence are established by the plaintiff.

4.2 New Employees

There is no hard and fast rule on what are considered as “best practices” for employers who

hire employees from competitors to minimise the likelihood that the employer or new employees will be subject to a trade secret misappropriation claim. However, some due diligence may be important to minimise such risk.

For example, prior to the hire, it may be important to ascertain whether the employee is subject to any restraining clause in the previous employment.

For the terms of employment, it may be prudent to include a certain term to elicit assurance from the new employee that their conduct is within the law and not in breach of the rights of any third party.

Further, having a proper policy and training within the organisation may eliminate the risk. Sauce for the goose is sauce for the gander – in other words, it is wise to embrace the culture at all levels of the organisation to respect others’ trade secrets, in the same way as we expect others to respect ours.

Apart from the terms of employment, the conduct of employers plays an important role in safeguarding a trade secret.

In *Acumen Scientific Sdn Bhd v Yeow Liang Ming* [2021] 2 CLJ 369, the court held that the confidentiality agreement and the conflict of interest agreement must not be read in isolation, but must be read together with the terms of employment and any other contemporaneous documents relating to the employment. Construction of the terms of an agreement is a matter of law and, whatever may be the understanding of the parties with regard to their subjective intention, it is for the court to determine their objective intention based on the terms and conditions stipulated in the agreements after taking into consideration the surrounding background facts and circumstances.

5. TRADE SECRET LITIGATION

5.1 Prerequisites to Filing a Lawsuit

There are no prerequisites or preliminary steps that one must embark on prior to any lawsuit.

However, due to the nature of such litigation, and the importance of preservation of evidence in the infringer's possession, it is a norm for the plaintiff to file an Anton Piller injunction application at the outset of the litigation.

5.2 Limitations Period

An action for breach of confidence is a tortious claim. Actions shall not be brought after the expiration of six years from the date on which the cause of action accrued.

The law on when a cause of action accrues is well settled and very much entrenched in Malaysian jurisprudence. A cause of action founded on tort accrues on the date of its breach and that time begins to run from such breach: *Great Eastern Life Assurance Co. Ltd v Indra Janardhana Menon* [2005] 4 CLJ 717.

A "cause of action" is the entire set of facts that gives rise to an enforceable claim; the phrase comprises every fact which, if traversed, the plaintiff must prove in order to obtain judgment.

5.3 Initiating a Lawsuit

A lawsuit is initiated by filing a writ and statement of claim or originating summons.

5.4 Jurisdiction of the Courts

Most cases for a trade secret claim are filed in the High Court. There is a specialised Intellectual Property High Court in certain states that hears IP disputes. Thus, if the action consist of claim for breach of confidence and infringement of IP rights, the action may be heard by the specialised Intellectual Property High Court.

If the claim is for a subject matter which does not exceed MYR1 million, a Sessions Court has jurisdiction to try such action.

5.5 Initial Pleading Standards

The remedy or relief being sought must be specifically requested.

In brief, every pleading shall contain:

- the particulars of the parties;
- a summary of the material facts, documents, etc, but not the evidence;
- matter showing illegality, including:
 - (a) alleging that any claim or defence of the opposite party not maintainable;
 - (b) that any issue, if not specifically pleaded, might take the opposite party by surprise; or
 - (c) any issues of fact not arising out of the preceding pleading;
- matter that has arisen at any time, whether before or since the issue of the writ;
- raise any point of law;
- the necessary particulars, including:
 - (a) the particulars of any misrepresentation, fraud, breach of trust, wilful default or undue influence on which the party pleading relies; and
 - (b) where a party alleges any condition of the mind of any person, whether any disorder or disability of mind or any malice, fraudulent intention or other condition of mind except knowledge, particulars of the facts on which the party relies; and
- the relief or remedy that the plaintiff claims, but costs need not be specifically claimed.

A party shall not, in any pleading:

- make an allegation of fact or raise any new ground or claim inconsistent with a previous pleading;

- quantify any claim or counterclaim for general damages.

Specifically for a claim for breach of confidence, the plaintiffs must identify with sufficient particularity in their pleading (statement of claim), what was that “confidential information” that had been misused and whether it was peculiarly part of the plaintiff’s intellectual property.

Details or the particulars of the confidential material or information sought to be protected, or which formed the subject of the allegation of misuse, must be pleaded. An averment in wide and general terms is not acceptable in law: *Vision Cast* (supra).

5.6 Seizure Mechanisms

Interlocutory injunctions may be granted by the High Court where the applicant successfully establishes that:

- there is a bona fide serious issue to be tried;
- the balance of convenience tilts in favour of the grant of the interlocutory injunction; and
- damages would not be an adequate remedy in the event that the plaintiff succeeded at trial – *Keet Gerald Francis Noel John v Mohd Noor bin Abdullah* [1995] 1 MLJ 193.

The court may also consider the following factors:

- where the justice of the case lies;
- the practical realities of the case;
- the plaintiff’s ability to meet its undertaking in damages should the suit fail – the court may require the plaintiff to provide undertaking (eg, providing a bank guarantee);
- whether there is any delay; or
- public interest.

Where the injustice to the plaintiff is so manifest, the judge may dispense with the usual undertak-

ing as to damages: *Cheng Hang Guan v Perumahan Farlim* (Penang) [1988] 3 MLJ 90.

Ex Parte Interim Injunction Order

The plaintiff may also seek other forms of relief such as Anton Piller orders, or ex parte interlocutory injunctions prior to service of the papers on the infringer. An Anton Piller order is to enable a party to preserve evidence which is relevant to a suit (relevant evidence) so that, in the interest of justice, the relevant evidence may be subsequently adduced in the suit.

The plaintiff must establish:

- an extremely strong prima facie case that the patent has been infringed;
- the defendant has incriminating documents; and
- there is a real possibility that they may be destroyed.

In the event the court grants an ex parte interim injunction order, that order shall automatically lapse 21 days from the date of the order, unless earlier revoked or set aside: Order 29 rule 1 (2B), RC. An ex parte order must be served within seven days of the date of the order and the court, when granting the order, must fix a date to hear the application inter partes within 14 days from the date of the order: Order 29 rule 1 (2C), RC.

For the application for an ex parte injunction order, strict compliance with the provision under Order 29 rule 1 (2A), RC is required: *Motor Sports International v Delcont* [1996] 2 MLJ 605; *Pentamaster Instrumentation* (supra).

The affidavit in support of an ex parte application must contain a clear and concise statement of:

- facts giving rise to the claim;
- facts giving rise to the application for the interim injunction;

- facts to justify the application ex parte, including details of any notice given to the other party or the reason for not giving notice;
- any answer by the other party (or which is likely to be asserted) to the claim or application;
- any facts which may lead the court not to grant the application;
- any similar application or order made earlier; and
- the precise relief sought – Order 29 rule 1 (2A), RC.

Further, it is important that the plaintiff in an ex parte injunction application provides full and frank disclosure, failing which the ex parte order may be set aside: Pentamaster Instrumentation (supra).

5.7 Obtaining Information and Evidence Discovery

Discovery applications are typically made at the High Court after the close of pleadings but before the start of trial: Order 24, RC.

There are three stages, namely:

- disclosure of a list of documents;
- copies of documents are inspected and taken; and
- production of the documents.

When the court ordered for discovery, a party may be required to disclose documents which support/adversely affect their own or another party's case.

- The list of prospective documents to be disclosed must be succinct.
- Each relevant document must be identified.
- Where a document is privileged, it must be described as such, along with justification.
- The list is to be accompanied by an affidavit to verify its contents.

Pre-action order for discovery against a person or Norwich Pharmacal order may be given if there are sufficient grounds for doing so. The application must provide details of the intended proceeding and whether the person against whom the order is sought is likely to be party to subsequent proceedings in court: Order 24 rule 7A, RC.

Pre-action discovery: obtaining relevant information to support a claim against a potential defendant who is already identified.

Norwich Pharmacal order: obtaining relevant information to identify a potential defendant.

5.8 Maintaining Secrecy while Litigating

The court has power to grant a confidentiality order or protective order, in appropriate cases, to maintain the secrecy of the trade secrets at issue in the litigation.

Generally, a trial is conducted in open court. In very limited circumstances, the court may order the proceedings be conducted in camera. Usually, proceeding in camera is confined to cases where in the interest of justice, for instance, the identity of minors may not be disclosed.

5.9 Defending against Allegations of Misappropriation

The following defences are available:

- the plaintiff's case does not fulfil the requirements for breach of confidence;
- information sought to be protected does not have the quality of confidence;
- the plaintiff failed to identify the confidential information that was alleged to have been disclosed;
- the information is no longer confidential;
- there is just cause or justified ground for disclosure;
- public interest.

5.10 Dispositive Motions

Dispositive motion is available prior to trial.

The court may, upon the application of a party or of its own motion, determine any question of law or construction of any document arising in any cause or matter at any stage of the proceedings where it appears to the court that:

- such question is suitable for determination without the full trial of the action; and
- such determination will finally determine the entire cause or matter or any claim or issue therein.

On such determination the court may dismiss the cause or matter or make such order or judgment as it thinks just: Order 14A of the Rules of Court 2012.

The court may at any stage of the proceedings order to be struck out or amended any pleading or the endorsement, of any writ in the action, or anything in any pleading or in the endorsement, on the ground that:

- it discloses no reasonable cause of action or defence, as the case may be;
- it is scandalous, frivolous or vexatious;
- it may prejudice, embarrass or delay the fair trial of the action; or
- it is otherwise an abuse of the process of the Court: Order 18 rule 19 of the Rules of Court 2012.

5.11 Cost of Litigation

The court has discretion to award costs, and to determine the quantum of costs.

Generally, the winning party will be awarded costs.

Costs may be dealt with by the court at any stage of the proceedings or after the conclusion

of the proceedings, and any costs ordered shall be paid at the conclusion of the proceedings unless the court orders otherwise.

Where in any cause or matter anything is done improperly or unnecessarily, or an omission is made, by or on behalf of a party, the court may direct that any costs to that party in respect of it shall not be allowed to that party, and that any costs occasioned by it to other parties shall be paid by said party.

In assessing the costs, the court may have regard to all relevant circumstances, including:

- the complexity of the item or of the cause or matter in which it arises and the difficulty or novelty of the questions involved;
- the skill, specialised knowledge and responsibility required of, and the time and labour expended by, the solicitor or counsel;
- the number and importance of the documents prepared or perused, however brief;
- the place and circumstances in which the business involved is transacted;
- the importance of the cause or matter to the client;
- the amount or value of any money or property that is involved; and
- any other fees and allowances payable to the solicitor or counsel in respect of other items in the same cause or matter, but only where work done in relation to those items has reduced the work that would otherwise have been necessary in relation to the item in question.

6. TRIAL

6.1 Bench or Jury Trial

Trade secret trials are decided by a judge.

6.2 Trial Process

Upon the close of pleadings, the court will give directions for the exchange of documents between the parties. The court will also direct the exchange of witnesses' statements prior to trial.

Trials are conducted in open court, where witnesses will be called to testify and adduce evidence during examination-in-chief. Witnesses are subject to cross-examination by opposing counsel and re-examination by their respective counsel.

Generally, a matter filed in Malaysian courts will be disposed within nine months.

Due to the COVID-19 pandemic, Malaysia's Courts of Judicature Act 1964 is amended to include Section 15A where the court has, in the interest of justice, conducted civil and criminal proceedings of any cause or matter through remote communication technology.

6.3 Use of Expert Witnesses

Expert witness testimony is allowed in court.

It is the duty of an expert to assist the court on the matters within their expertise. This duty overrides any obligation to the person who has instructed or paid the expert witness (Order 40A rule 2 of the Rules of Courts 2012).

Unless the court directs otherwise, expert evidence to be given at the trial of any action is to be given in a written report signed by the expert and exhibited in an affidavit sworn to or affirmed by said expert, testifying that the report exhibited is theirs and that they accept full responsibility for the report.

An expert's report shall:

- give details of any literature or other material upon which the expert witness has relied in making the report;
 - contain a statement setting out the issues that the expert has been asked to consider and the basis upon which the evidence was given;
 - if applicable, state the name and qualifications of the person who carried out any test or experiment that the expert has used for the report and whether or not such test or experiment has been carried out under the expert's supervision;
 - where there is a range of opinion on the matters dealt with in the report, summarise the range of opinion and give reasons for the expert's opinion;
 - contain a summary of the conclusions reached;
 - contain a statement of belief of the correctness of the expert's opinion; and
 - contain a statement that the expert understands that their overriding duty in giving their report is to the court and that this duty has been complied with (Order 40A rule 3 of the Rules of Courts 2012).
- give details of the expert's qualifications;

7. REMEDIES

7.1 Preliminary Injunctive Relief

Interlocutory injunctions may be granted by the High Court where the applicant successfully establishes that:

- there is a bona fide serious issue to be tried;
- the balance of convenience tilts in favour of the grant of the interlocutory injunction; and
- damages would not be an adequate remedy if the plaintiff succeeded at trial (Keet Gerald Francis Noel John v Mohd Noor bin Abdullah [1995] 1 MLJ 193).

The court may also consider the following factors:

- where the justice of the case lies;
- the practical realities of the case;
- the plaintiff's ability to meet its undertaking in damages should the suit fail – the court may require the plaintiff to provide an undertaking (eg, a bank guarantee);
- whether there is any delay; or
- public interest.

Where the injustice to the plaintiff is manifest, the judge may dispense with the usual undertaking as to damages (*Cheng Hang Guan v Perumahan Farlim (Penang)* [1988] 3 MLJ 90).

Ex Parte Injunction

An application for an ex parte injunction order requires strict compliance with the provision under Order 29 rule 1 (2A), RC (*Motor Sports International v Delcont* [1996] 2 MLJ 605; *Pentamaster Instrumentation* (supra)).

The affidavit in support of an ex parte application must contain a clear and concise statement of:

- the facts giving rise to the claim;
- the facts giving rise to the application for the interim injunction;
- the facts to justify the application ex parte, including details of any notice given to the other party or the reason for not giving notice;
- any answer by the other party (or which is likely to be asserted) to the claim or application;
- any facts that may lead the court not to grant the application;
- any similar application or order made earlier; and
- the precise relief sought (Order 29 rule 1 (2A), RC).

Furthermore, it is important that the plaintiff in an ex parte injunction application provides full and frank disclosure, failing which the ex parte order may be set aside; *Pentamaster Instrumentation* (supra).

7.2 Measures of Damages

In most trade secret actions, the remedies granted by the courts are as follows:

- injunctive order;
- general damages;
- aggravated damages;
- exemplary damages; and
- costs.

The current potential civil remedy against an infringer is either an assessment of the profit made by the infringer or an award of damages representing the lost profit suffered by the originator.

The same principle applies when considering the award of damages. The usual principal head of damage is the loss of business profits caused by the defendant.

The plaintiff is entitled to “such damages as naturally flow from their unlawful act, and that there is no artificial limitation”. Consistent with the established principle of law, the award of damages is compensatory – ie, it is to put the plaintiff in the same position they would have been in had the wrong not been committed. While it is quite easy to state the general principle, the mechanics of ascertaining damages actually sustained by the plaintiff are not simple to determine. There is no hard and fast rule that is foolproof and universally accepted (*Taiping Poly (M) Sdn Bhd v Wong Fook Toh* [2011] 3 CLJ 837).

In *Geh Thuan Hooi v Serene Lim Paik Yan* [2015] 6 CLJ 246, the court held that the quantum to

be awarded must reflect the repugnance and opprobrium that must be accorded to the illegal means in which the information was obtained.

See also **2.4 Industrial Espionage** regarding aggravated and exemplary damages.

7.3 Permanent Injunction

A permanent injunction is the main remedy for a successful trade secret claimant. Unless the court imposes a certain time limit, a permanent injunction provides for perpetual restraint against the infringer for unlawful use of the trade secret.

The court will not usually impose any limitation on an employee obtaining lawful employment else, but the permanent injunction will restrain the employee from unlawful conduct.

7.4 Attorneys' Fees

The costs of court proceedings are at the discretion of the court, which has full power to determine by whom and to what extent the costs are to be paid.

7.5 Costs

See **5.11 Cost of Litigation**.

8. APPEAL

8.1 Appellate Procedure

An appeal may be made to the Court of Appeal.

Subsequently, parties may appeal to the Federal Court against the decision of the Court of Appeal with leave from the Federal Court.

8.2 Factual or Legal Review

Appeal at the Court of Appeal is by way of rehearing.

It is a settled principle of law that in an appeal, where facts have to be reviewed, it is undesir-

able for the findings of the court below to be disturbed by a Court of Appeal unless it appears that those findings are clearly wrong, and more especially that it is undesirable to do so where the conclusion reached must to a large extent depend on the credibility of the witnesses and the impression formed by a court that has seen them and can judge their honesty and accuracy.

An appeal before the Federal Court usually involves questions of law.

In the face of that finding by the trial judge on the question of fact, the Federal Court is only entitled to displace that conclusion if it is satisfied that the trial judge's view was plainly wrong and that any advantage which they enjoyed by having seen and heard the witness was not sufficient to explain their conclusion, as the authorities already quoted show.

9. CRIMINAL OFFENCES

9.1 Prosecution Process, Penalties and Defences

Please refer to **1.14 Criminal Liability** and **2.1 The Definition of Misappropriation**.

10. ALTERNATIVE DISPUTE RESOLUTION (ADR)

10.1 Dispute Resolution Mechanisms

Alternative dispute resolution mechanisms are available to parties who have consented to use such mechanisms. Consent may be obtained at the outset of the relationship (eg, in the agreement entered between the parties) or after a dispute arises.

Gan Partnership is a law firm based in Kuala Lumpur, specialising in dispute resolution and intellectual property. The firm's partners sit as arbitrators in international and domestic arbitrations. With the practice experience of one of the largest law firms in Malaysia, its partners have seen how the wants and needs of clients can be addressed in a result-driven and cost-effective manner. Gan Partnership's strength and experience in handling complex matters and providing solution-oriented legal services, all in timely fashion, are what sets it apart. Since its incep-

tion in 2011, Gan Partnership has been recognised as a key dispute resolution practice by top international legal directories and independent research houses. With wide access to a network of eminent international and local technical consultants and experts, the resourceful and multilingual team has all the resources to deliver comprehensive and innovative solutions to its clients – from prominent individuals to listed companies, from start-ups to multinational Fortune 500 entities.

AUTHORS



Lim Zhi Jian is a partner at Gan Partnership. He handles complex and high-value disputes, with a focus on IP and technology, media and telecommunications at all levels

of Malaysian courts. He has assisted clients in a multitude of contentious matters, including expungement of trade marks, obtaining urgent injunctive reliefs, and procuring the judicial assignment of patents. He has also advised on free trade zones and jurisdictional matters arising from cross-border IP disputes. Lim Zhi Jian advises clients ranging from tech start-ups to Fortune 500 companies on all aspects of IP, including litigation and prosecution, brand strategy and protection, management and monetisation, strategy in trade secrets protection and confidential information. He also has significant expertise in corporate litigation and risk management, cybersecurity and sports law.



Ng Lih Jiun is an associate at Gan Partnership, whose practice focuses on dispute resolution and litigation with an emphasis on intellectual property (IP). She has assisted in various

contentious IP matters, ranging from trade mark infringement, passing off and copyright infringement to domain name disputes. She is also no stranger to non-contentious matters, having assisted in advisory, prosecution and enforcement works for various conglomerates inside and outside Malaysia. Lih Jiun has experience in corporate commercial disputes, as well as advising on various aspects of regulatory compliance for both local and foreign clients.



Alex Choo is a senior associate at Gan Partnership, focusing on IP and dispute resolution. He has assisted in sophisticated contentious matters ranging from IP prosecution to IP

infringement proceedings, patent invalidation proceedings and corporate commercial disputes before the courts of Malaysia. Alex is involved in various advisory and regulatory capacities, including the licensing and assignment of IP rights, personal data protection and compliance. He has worked with public listed and multinational clients from a wide range of industries, including technology, food and beverage, fashion and healthcare.



Bahari Yeow is a partner at Gan Partnership, and has specialised in dispute resolution and intellectual property for over 20 years. An advocate and solicitor, he is a registered trade mark

agent, industrial design agent, patent agent and panellist of the Domain Name Dispute Resolution, Asian International Arbitration Centre. Bahari's extensive IP experience covers litigation and enforcement, registration and prosecution, commercialisation, franchising and licensing, brand protection and anti-counterfeiting. He acts for leading suppliers, service providers and multinational corporations in various commercial sectors. He is highly skilled in handling outsourcing disputes across all the major commercial sectors, particularly in identifying appropriate structures and anticipating potential issues and trends in outsourcing.

Gan Partnership

D-32-02, Menara SUEZCAP 1
KL Gateway
No 2, Jalan Kerinchi,
Gerbang Kerinchi Lestari
59200 Kuala Lumpur
Malaysia

Tel: +603 7931 6288
Fax: +603 7931 8063
Email: bahari@ganlaw.my
Web: www.ganlaw.my





Chambers Guides to the Legal Profession

Chambers Directories are research-based, assessing law firms and individuals through thousands of interviews with clients and lawyers. The guides are objective and independent.

practiceguides.chambers.com