

An Assessment of Malaysia's Compliance with the Current and Future International Standards of Criminal Enforcement Measures to Protect against Copyright Piracy on a Commercial Scale

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Abstract

Being a WTO member, Malaysia is compelled to implement the standard of criminal enforcement measures established in Article 61 of the Trade-Related Aspects of Intellectual Property Rights Agreement in its national copyright laws. More specifically, Malaysia is required to criminalise wilful copyright piracy on a commercial scale and make available imprisonment and/or pecuniary penalties as punishment for the offence. The punishment should be set at a level sufficient to provide a deterrent, consistent with that made available for crimes of a corresponding gravity. While the Trade-Related Aspects of Intellectual Property Rights Council confirmed Malaysia's compliance with the standard in 2003, it is time for the penal provisions in the Copyright Act 1987 (Malaysia) to be re-assessed particularly in view of Malaysia's keen interest in ratifying the Trans-Pacific Partnership Trade Agreement (TPPA), and by extension, subscribing to a higher standard of criminal enforcement measures against copyright piracy on a commercial scale. The article first examines the penal provisions in the Copyright Act 1987 (Malaysia) with reference to the article 61 standard and subsequently assesses if the TPPA standard will herald a change in the national enforcement regime.

I. INTRODUCTION

Article 61 of the Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS Agreement) requires WTO members to, first, criminalise wilful copyright piracy on a commercial scale and secondly, make available imprisonment and/or pecuniary penalties 'sufficient to provide a deterrent, consistent with the level of penalties applied for crimes of a corresponding gravity.'

As the first (and current) international standard of criminal enforcement measures for combatting wilful copyright piracy on a commercial scale, the standard is a bare minimum standard and has been described by some as 'lacking sufficient teeth' and 'totally useless'.¹ Nevertheless, Malaysia became formally bound to comply with this standard

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¹ See Tove Iren S Gerhardsen, 15th November 2005, "Japan Proposes New IP Enforcement Treaty" Intellectual Property Watch <<http://www.ip-watch.org/2005/11/15/japan-proposes-new-ip-enforcement-treaty/>>. Site accessed on 15 January 2016

following ratification of that Agreement in 1995 and its compliance was confirmed in a review conducted by the Trade-Related Aspects of Intellectual Property Rights Council (TRIPS Council) in 2003 on the criminal enforcement measures taken by the Malaysian Government against copyright piracy.² This meant that: (1) wilful copyright piracy on a commercial scale was criminalised; (2) the penalties made available in the Copyright Act 1987 (Malaysia) (1987 Malaysian Act), at that time, were sufficient to provide a deterrent to curb wilful copyright piracy on a commercial scale; and (3) that the penalties were at a level consistent with those made available for crimes of a corresponding gravity.

However, more than a decade has passed since the Malaysian criminal copyright regime has been assessed. It is timely for the regime to be re-assessed, particularly in view of Malaysia's intention to ratify the Trans-Pacific Partnership Agreement (TPPA) which prescribes a higher standard of criminal enforcement measures for wilful copyright piracy on a commercial scale and has been portrayed as being 'significantly TRIPS-plus' and 'ACTA-plus'³ (that is, Anti-Counterfeiting Trade Agreement-plus).

Part II of the article analyses the penal provisions in the 1987 Malaysian Act and determines whether the provisions are TRIPS-compliant while part III examines the significance and possible impact of ratifying the TPPA to the current copyright criminal enforcement measures. Lastly, part IV concludes the article by determining that: (1) the current criminal enforcement measures in the 1987 Malaysian Act are TRIPS-compliant; and (2) the ratification of the TPPA (and subsequently, its coming into force) will not likely necessitate any significant amendments to the Malaysian criminal enforcement regime.

II. THE COPYRIGHT ACT 1987 (MALAYSIA) AND ARTICLE 61 OF THE TRIPS AGREEMENT

The current international standard of criminal enforcement measures in article 61 of the TRIPS Agreement reads as follows:

Parties shall provide for criminal procedures and penalties to be applied at least in cases of wilful ... copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity ...

Following from this, it is clear that an exhaustive assessment of the national criminal enforcement measures against the Article 61 standard necessarily involves an examination of the offences in the 1987 Malaysian Act as well as the penalties that may be imposed for those offences.

² *Review of Legislation: Malaysia*, Council for Trade-Related Aspects of Intellectual Property Rights, WTO Doc IP/Q/MYS/1, IP/Q2/MYS/1, IP/Q3/MYS/1, IP/Q4/MYS/1 (2003) 3.

³ Kimberlee Weatherall, "Section By Section Commentary on the TPP Final IP Chapter Published 5 November 2015 – Part 3 – Enforcement" *The Selected Works of Kimberlee G Weatherall*, 2015 <<http://works.bepress.com/kimweatherall/33>> 47. Site accessed on 15 January 2016.

Accordingly, part [A] first sets out the standard established by Article 61 in relation to the criminalisation of conduct falling within the scope of 'wilful copyright piracy on a commercial scale', taking into account the WTO Panel's interpretation of the term 'commercial scale' in the *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights* dispute. It then analyses the offences prescribed in section 41(1) of the 1987 Malaysian Act and determines whether the provision satisfactorily addresses wilful copyright piracy on a commercial scale.

Next, part [B] lays out the international standard concerning the punishment to be made available for wilful copyright piracy on a commercial scale, as prescribed in the second sentence in the Article 61 standard. As the standard is two-pronged, the analysis of the Malaysian penalties scheme is divided into parts. The first part examines whether the penalties in the 1987 Malaysian Act are sufficient deterrence while the second part assesses whether the level of penalties in the Malaysian copyright regime are consistent with that made available for crimes of a corresponding gravity. By adopting and applying the position accepted by most expert commentary on the Article 61 standard that serious non-violent theft is a crime of a corresponding gravity to wilful copyright piracy on a commercial scale, this article assesses the adequacy of the level of punishment made available in the 1987 Malaysian Act by comparing the criminal penalties prescribed in section 41(1) of the 1987 Malaysian Act with the penalties prescribed for theft in the Penal Code (Malaysia) ('Malaysian Penal Code'). It is important to note that the crime of theft is selected for this comparison exercise upon considering the elements required to prove theft in the Malaysian Penal code, as opposed to robbery, is most suitable to be considered as a crime of corresponding gravity.

Part C concludes the examination by determining whether section 41(1) is in compliance with the Article 61 standard.

A. Offence

In determining whether the national criminal enforcement measures have satisfactorily implemented the Article 61 standard in criminalising wilful copyright piracy on a commercial scale, it is necessary to first understand the range of conduct falling within the scope of commercial scale wilful copyright piracy.

The TRIPS Agreement is silent on how to determine whether a particular act of wilful copyright piracy is on a commercial scale. An examination of the Uruguay Round of Negotiations as well as the preparatory works for the TRIPS Agreement similarly does not shed light onto the meaning of the term 'commercial scale'.⁴ Subsequently, a reference may be made to WTO Panel's interpretation of the term in the *China – Measures Affecting the Enforcement and Protection of Intellectual Property Rights* dispute to provide some much needed clarity on the meaning of that term.⁵ It is, however, necessary to bear in mind that the WTO Panel's interpretation is binding only on parties to the dispute (namely, China

⁴ See Ainee Adam, "What is "Commercial Scale"? A Critical Analysis of the WTO Panel Decision in WT/DS362/R" *European Intellectual Property Review* 2011, Vol 33, Issue 6, 342, p 346.

⁵ *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WTO Doc WT/DS362/R (2009) (Report by the Panel Adopted on 20 March 2009) ('*China – Intellectual Property Rights*').

and the US). Nevertheless, it ‘create(s) legitimate expectations among WTO members and, therefore, should be taken into account where they are relevant to any dispute’.⁶

In the *China – Measures Affecting the Enforcement and Protection of Intellectual Property Rights* dispute, the US essentially alleged that China failed to satisfy its obligations under Article 61 of the TRIPS Agreement in criminalising *all* wilful trademark counterfeiting and copyright piracy on a commercial scale.⁷ This resulted in a thorough examination of the term ‘commercial scale’. Yet, the term remains vague as the WTO Panel adopted a flexible interpretation of that term. According to the Panel, ‘the question of whether a counterfeiting or piracy is on a commercial scale depends on the type of product that was infringed, its market, and the magnitude or extent of the commercial activity that is considered to be typical or usual for the product that was infringed.’⁸ Furthermore, the Panel adopted the presumption that all WTO members have satisfied the Article 61 standard unless proven otherwise.⁹

Following from this, it appears that the range of conduct falling within the scope of copyright piracy on a commercial scale is highly dependent on a WTO member’s interpretation of the term ‘commercial scale’. Australia, for example, determines that factors such as the ‘volume and value of any articles that are infringing copies’ should be taken into account when considering whether an infringement is on a commercial scale¹⁰ whereas Malaysia does not make any reference whatsoever to the scale of the infringement in criminalising copyright piracy.¹¹ It merely criminalises all infringements except those occurring for private and domestic use.¹²

Having shed some light onto the first sentence of the Article 61 standard, we now turn to examining the Malaysian penal provisions. The criminal enforcement measures prescribed in section 41(1) of the 1987 Malaysian Act is relatively straightforward. While the section criminalises conduct including the making, selling and distributing of infringing copies of copyrighted work, it does not specifically address piracy on a commercial scale. Instead, its penal provisions are set out in a form that is general enough to cover both small and commercial scale piracy. For the current purpose, the article focuses on section 41(1)(c) of the 1987 Malaysian Act as this provision appears to be most relevant to Article 61 of the TRIPS Agreement as well as Article 18.77.1 of the TPPA.

Section 41(1)(c) essentially criminalises the distribution of more than three infringing copies of a work in the same form.¹³ The purpose of distributing the copyright material, such as for commercial advantage or financial gain, and the scale in which the infringement

⁶ *Japan – Taxes on Alcoholic Beverages*, WTO Doc WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R (1996), [13] (Appellate Body Report); *United States – Final Dumping Determination on Softwood Lumber from Canada*, WTO Doc WT/DS263/AB/R (2004), [38] (Appellate Body Report).

⁷ *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WTO Doc WT/DS362/1; IP/D/26; G/L/819 (2007) (Request for Consultations by the United States).

⁸ Ainee Adam, n 4, p 344. See also *China – Intellectual Property Rights* [7.577].

⁹ The Panel did not identify the basis for its presumption. See *China – Intellectual Property Rights* [7.602].

¹⁰ Section 132AC Copyright Act 1968 (Cth).

¹¹ See section 41(1), Copyright Act 1987 (Malaysia) Act 332 in general.

¹² Section 41(2) Copyright Act 1987 (Malaysia), Act 332.

¹³ Read together with section 41(2) Copyright Act 1987 (Malaysia), Act 332.

occurs, do not appear to be relevant under this provision. Following from this, it can be said that this provision is couched in such general terms that it could cover commercial scale piracy and also infringements occurring in the private sphere such as distribution of infringing copies of the same work in the same form to friends and relatives.

Consequently, taking into account Article 61 of the TRIPS Agreement and the WTO Panel's interpretation of the term 'commercial scale' and referring back to section 41(1) (c) of the 1987 Malaysian Act and the manner in which the provision has been worded, it is reasonable to arrive at the conclusion that, *prima facie*, the section satisfies the first sentence of the Article 61 standard. We then turn to examining whether the penalties provided for the offence described in section 41(1)(i) satisfies the second sentence of the standard.¹⁴

B. Punishment

The second sentence of the Article 61 standard is two-pronged. It first requires the penalties made available for wilful copyright piracy on a commercial scale to be sufficient to provide a deterrent and second, that the level of penalties made available should be consistent with that made available for crimes of a corresponding gravity. The analysis of the penalties in the 1987 Malaysian Act in this part of the article is therefore divided into two stages. The first stage examines whether the penalties are sufficient deterrence and the second stage examines whether those penalties are consistent with those made available for theft in the Malaysian Penal Code.

(i) Sufficient to Provide a Deterrent

The Article 61 standard clearly states that the penalties made available in national laws have to be sufficient to provide a deterrent.¹⁵ This means that the implementation of the Article 61 standard should be consistent with the principles of deterrence theory which require the punishment to be (1) proportionate to the crime; and (2) minimised but its deterrent effects maximised.¹⁶

Furthermore, the standard's emphasis on the level of punishment being made comparable to that made available for crimes of a corresponding gravity shows that the standard relies on setting a minimum severity of punishment (as distinct from the other two properties of punishment; certainty and celerity or swiftness of punishment) in order to deter copyright piracy on a commercial scale.¹⁷

¹⁴ Note that the article examines s. 41(1)(i) which prescribes the penalties for offences under s. 41(1)(a) – (f) and not s. 41(1)(i) which criminalises the removal or alteration of any electronic rights management information without authority.

¹⁵ Article 61 of the TRIPS Agreement provides that '... [r]emedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level or penalties applied for crimes of a corresponding gravity.'

¹⁶ See Ainee Adam, "Celerity, Severity and Certainty of Punishment in Article 61 of the TRIPS Agreement" (forthcoming).

¹⁷ See Ainee Adam, n 16 for more on the properties of punishment as theorized by deterrence theorists.

Bearing this in mind, we then examine the penalties scheme in the 1987 Malaysian Act. Section 41(1)(i) prescribes that first offenders convicted of the offence in section 41(1)(c) may be punished with a minimum fine of RM2,000 and a maximum fine of RM20,000 for each infringing copy, or imprisonment for a maximum term of five years or both. As offenders convicted of this offence must be guilty of distributing *at least* three copies,¹⁸ this means that the minimum fine that may be imposed on an offender is RM6,000.

Repeat offenders, on the other hand, may be fined a minimum amount of RM4,000 and a maximum amount of RM40,000 for each infringing copy or imprisoned for a maximum term of 10 years or both.¹⁹ Again, effectively, the minimum fine that may be imposed on a repeat offender is RM12,000.

The 1987 Malaysian Act further imposes criminal liability on ‘every director, chief executive officer, chief operating officer, secretary, manager or other similar officer of the body corporate or every other partner in the firm’ if the offender is a body corporate or a partner of a firm. These officers of the body corporate offender or firm could be made liable to the same punishment as provided for individual offenders, severally or jointly, unless they exercised due diligence to prevent the commission of the offence.²⁰

While the conduct being criminalised under section 41(1)(c) seems rather simplistic, the punishment made available is extensive in the sense that it not only distinguishes the punishment that may be imposed on first and repeat offenders, but also extends that punishment to officers of a body corporate offender or firm. Additionally, by merely determining the maximum fine that may be imposed *per infringing copy*, the amount of fine that may be imposed on an offender is effectively not capped, following which an offender who distributes 10 infringing copies could potentially be fined with RM200,000 whereas a repeat offender could be fined with RM400,000.

Considering both the Article 61 standard as well as the penalties prescribed in section 41(1)(i), it is now necessary to assess whether the penalties in section 41(1)(i) are sufficiently severe to be likely to deter commercial scale infringements. As explained above, the minimum fine that may be imposed on an offender is effectively RM6,000 with the possibility of imprisonment of up to five years and there is effectively no cap on the maximum fine imposed (the fine being determined in accordance with the number of infringing copies). We can therefore reach the tentative conclusion that, purely on the basis of the severity of the penalties set by the provision (and not taking into account the certainty or celerity of the criminal enforcement regimes), the Malaysian regime imposes maximum penalties at levels that are sufficiently severe to deter infringements.

It is, however, more important to assess whether the punishment is excessively severe, or in other words, is the punishment proportionate to the crime? While deterrence theory places considerable emphasis on proportionality between crime and punishment, it does not provide detailed guidance concerning the manner in which this assessment can be made. Nevertheless, proportionality in deterrence theory requires the level of punishment to be carefully calibrated to both maximise the effectiveness of the punishment in preventing harms and minimise the potential adverse effects on society as a whole.

¹⁸ Section 41(2), Copyright Act 1987 (Malaysia), Act 332.

¹⁹ Section 41(1)(i), Copyright Act 1987 (Malaysia), Act 332.

²⁰ Section 41(4), Copyright Act 1987 (Malaysia), Act 332.

Disproportionate severity of punishment should be avoided as, for example, perceptions of excessive levels of punishment may increase anti-copyright sentiment, potentially leading to an erosion in the legitimacy of the copyright system as a whole.

The punishment that would be proportionate to the crime, however, is dependent on the extent of harm caused by that crime. As it would not be feasible to examine the harm specifically caused by the distribution of infringing copies (as per the offence in section 41(1)(c) of the 1987 Malaysian Act), the article focuses on the extent of harm caused by wilful copyright piracy on a commercial scale in general. Even so, the extent of those harms is extraordinarily difficult to estimate.

This is because even with rigorous empirical studies, it is extraordinarily difficult to collect accurate data, seeing that copyright piracy is a clandestine activity and few respondents are likely to be forthcoming about the extent of their involvement. Copyright owners, on the other hand, have an incentive to overstate the gravity of copyright piracy so as to influence governments and legislatures to act in their favour. Given the complex methodological issues at stake in assessing the empirical literature, this article does not propose to examine this point any further, other than to acknowledge the general consensus, emerging from the empirical studies, that piracy is one factor, among many, leading to a loss of sales in the music and motion picture industries, while it is difficult or impossible to accurately estimate the extent of any harm. Consequently, the uncertainties involved with analysing the effects of copyright piracy suggest that care should be exercised in setting the level of penalties so as to avoid potential over-criminalisation.

In this analysis, it is important to appreciate that perceptions are important in assessing the effectiveness of a criminal enforcement regime in targeting relevant behaviour.²¹ Although there is a common perception that theft and copyright piracy are crimes which are essentially similar in nature (actively and largely promoted by organisations representing the interests of copyright owners and government agencies),²² the distinction between the perceived harms arising from theft of tangible property, on the one hand, and copyright infringements, on the other hand, is potentially significant.

While the harms caused by the theft of a car, for example, are obvious, copyright infringements do not deprive the copyright owner of the copyright, leading some

²¹ Contemporary deterrence theorists believe that, rather than the actual risk of being arrested and punished, and the severity of that punishment, it is the perceived risk and severity that influence an individual's decision. See for example Kirk R Williams and Richard Hawkins, "Perceptual Research on General Deterrence: A Critical Review" *Law & Society Review* 1986, Vol 20, Issue 4, p. 545; Randi Hjalmarsson, "Crime and Expected Punishment: Changes in Perceptions at the Age of Criminal Majority" *American Law and Economic Review* 2009, Vol 11, p 209; Bruce A Jacobs, 'Deterrence and Deterrability' *Criminology* 2010, Vol 48, Issue 2, p. 417.

²² See for example "Copyright Thieves" Malaysian Screen Industry <http://www.msi.org.my/moviethieves_internet.html>. Site accessed 10 January 2016 ; "What is Online Piracy" RIAA <http://www.riaa.com/physicalpiracy.php?content_selector=What-is-Online-Piracy>. Site accessed on 10 January 2016; "Content Theft" Federation against Copyright Theft <<http://www.fact-uk.org.uk/content-theft/>>. Site accessed on 10 January 2016; "Software Enforcement and the US Law" BSA: The Software Alliance <http://www.bsa.org/anti-piracy/tools-page/software-piracy-and-the-law/?sc_lang=re-AP>. Site accessed on 10.1.2016; "Intellectual Property Theft" Federal Bureau of Investigation <https://www.fbi.gov/about-us/investigate/white_collar/ipr/>. Site accessed on 10 January 2016.

commentators to claim that copyright infringement is a ‘victimless crime’.²³ Given the highly charged public policy discussion regarding the benefits and costs of copyright protection, it may be that levels of criminal sanctions that are acceptable in other areas of the law could be counter-productive in terms of deterrence of copyright piracy. That said, much may depend upon the details of particular prosecutions brought by law enforcement authorities: public perceptions of large-scale importation of pirated DVDs may, for example, be viewed differently by sectors of the public to downloading of music or films by a teenager. In any case, public perceptions must be taken into consideration in applying the deterrence theory, as with the requirement of proportionality, to the level of penalties imposed under the Malaysian laws.

Applying the principle of proportionality, we can see that there are some safeguards incorporated into the Malaysian penal provisions. Section 41(1) of the 1987 Malaysian Act, although drafted in extremely broad terms, establishes a defence where a person has acted in good faith and has no reasonable grounds for supposing that copyright would be infringed. Furthermore, as explained above, the Malaysian provision does incorporate a degree of proportionality in that it provides for fines to be set in accordance with the number of infringing copies.

While these safeguards may, to an extent, alleviate concerns regarding the proportionality of the criminal penalties, the particular policy considerations relating to the public perceptions on copyright piracy as identified in this article may suggest that the maximum penalties imposed under the relevant Malaysian provision may not be proportionate to the conduct sought to be deterred.

This tentative conclusion, however, must be qualified by considerations relating to the actual enforcement of punishment. For example, if only certain kinds of infringement on a commercial scale are prosecuted, then the harms caused by potential negative perceptions of the copyright system may well not be as significant as might otherwise be the case.

Moreover, in assessing whether the penalties in the Malaysian provisions are proportionate to the crime, we must consider the requirement set by Article 61 of the

²³ See for example Stephen Rosebaugh-Nordan, 20th June 2013 “*Video Game Piracy: A Victimless Crime?*” Video Game Growing Pains, <<http://videogamegrowingpains.blogspot.com/2013/06/video-game-piracy-victimless-crime.html>>. Site accessed on 15 January 2016; Tom Utley, 28th August 2009 “*Internet Piracy is a Despicable Crime ... But Try Telling That to the Jolly Roger Crew I’ve Fathered*” MailOnline (online) <<http://www.dailymail.co.uk/debate/article-1209576/Internet-piracy-despicable-crime---try-telling-Jolly-Roger-crew-Ive-fathered.html>>. Site accessed on 15 January 2016; Byteshertz, 16th November 2011 “*PIRACY - Should Not be a Crime: Here is Why*” AboveTopSecret, <<http://www.abovetopsecret.com/forum/thread776386/pg1>>. Site accessed on 15 January 2016. Various creative industries and government agencies are, however, trying to change this perception by educating the public on the effects of copyright piracy. See for example Caitlin Dewey, 26th April 2013 “*Why A US Ambassador Asked Australians to Stop Pirating ‘Game of Thrones’*”, The Washington Post (online) <<http://www.washingtonpost.com/blogs/worldviews/wp/2013/04/26/why-a-u-s-ambassador-asked-australians-to-stop-pirating-game-of-thrones/>>. Site accessed on 15 January 2016; Eamonn Duff, Rachel Browne, 28th June 2009 “*Movie Pirates Funding Terrorists*”, The Sydney Morning Herald (online) <<http://www.smh.com.au/national/movie-pirates-funding-terrorists-20090627-d0gm.html>>. Site accessed on 15 January 2016; Nick Tabakoff, 30th June 2008 “*Organised Crime Gets Into Video Piracy*”, The Australian (online) <<http://www.theaustralian.com.au/media/organised-crime-gets-into-video-piracy/story-e6frg996-111116770389>>. Site accessed on 15 January 2016.

TRIPS Agreement which compels all WTO members to ensure that the level of punishment is consistent with that imposed for 'crimes of a corresponding gravity'. Therefore, the section below assesses whether the penalties set by section 41(1)(i) are consistent with those set for 'crimes of corresponding gravity' under the Malaysian Penal Code.

(ii) Crimes of a Corresponding Gravity

While the Article 61 standard does not indicate the type of crimes which would be considered to possess corresponding gravity to wilful copyright piracy on a commercial scale, most academic commentators on Article 61 agree that serious property offences, such as serious non-violent theft, should be considered as 'crimes of a corresponding gravity'.²⁴ Accepting this as a working proposition, the analysis below compares the criminal penalties prescribed in section 41(1)(i) of the 1987 Malaysian Act with the penalties prescribed for theft in Malaysia.

Theft is described in section 378 of the Malaysian Penal Code as the moving of any movable property with the intention 'to take dishonestly any movable property out of the possession of any person without that person's consent'. In describing the punishment that may be imposed for theft, section 379 distinguishes the punishment that may be imposed on a first and repeat offender. It provides that a first offender may be punished with either imprisonment for a maximum term of seven years or fine or both while a repeat offender will be punished with either a fine or whipping in addition to a mandatory term of imprisonment.²⁵

As can be seen, section 379 of the Malaysian Penal Code is silent on the amount of fine and whipping that may be imposed on an offender. Following from this, it is necessary to refer to the *Criminal Procedure Code* (Malaysia) to shed some light onto this matter, whereby section 283(1)(a) provides that there is no limit to the amount of fine that may be imposed on an offender in the event that the penal provision is silent. The amount, however, should not be excessive.²⁶ Section 288(1), on the other hand, imposes a maximum limit on the amount of strokes for a whipping of an adult offender for any particular offence to 24.

Consequently, it is clear that a first offender convicted of theft may be imprisoned for up to seven years or fined a discretionary amount or both, whereas a repeat offender faces mandatory imprisonment *and* a fine (of an indeterminate amount) or a whipping (of up to 24 strokes). Comparing these sanctions and those made available in section 41(1)(i) of the 1987 Malaysian Act, there are several obvious points of similarity and difference between the two sets of sanctions.

One of the most significant similarities relates to the sanctions made available for first offenders. For example, the maximum term of imprisonment prescribed in section

²⁴ Justin Malbon et al, *The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights: A Commentary*, Edward Elgar Publishing Limited, 2014, p 709; Daniel J Gervais, *The TRIPS Agreement: Drafting History and Analysis*, 3rd edition, Sweet & Maxwell, 2008 p. 327.

²⁵ Section 379, Penal Code (Malaysia), Act 574.

²⁶ Section 283(1)(a), Criminal Procedure Code (Malaysia), Act 593. The provision does not, however, explain what 'excessive' means.

379 of the Malaysian Penal Code and section 41(1)(i) of the 1987 Malaysian Act - seven years and five years respectively - are broadly similar.

The monetary penalty for theft, on the other hand, appears to be more severe than that which may be imposed for copyright infringement, as section 379 of the Malaysian Penal Code does not set any limit to the amount of fine that may be imposed on a thief, whereas section 41(1)(i) of the 1987 Malaysian Act fixes the maximum amount of fine that may be imposed on an infringer for every infringing copy.

However, the position is more complex than this, as section 41(1)(i) merely sets the maximum amount of fine for *each infringing copy*, the maximum amount in which an infringer may be fined at any one time is dependent on the number of infringing copies being distributed by the offender. An infringer, for example, who distributed 100 infringing copies could be liable to a fine of RM2 million at the very least and this amount could increase exponentially depending on the number of infringing copies involved.

Therefore, it can be said that there is effectively no limit to the maximum monetary penalty that may be imposed on first offenders for both offences, thus demonstrating that the sanctions for first offenders are broadly comparable.

The sanctions for subsequent offences, however, highlight one of the most significant differences between section 379 of the Malaysian Penal Code and section 41(1)(i) of the 1987 Malaysian Act. Section 379 does not confer on the court a discretionary power to impose only one form of punishment, that is a fine or imprisonment, but requires the court to impose a mandatory term of imprisonment *and* a fine or whipping, whereas section 41(1)(i) confers discretionary powers on the court to impose either imprisonment or a fine. This, alongside the addition of whipping as a form of punishment that may be imposed on a thief, sets the sanctions for theft apart from those for distributing infringing copies, thereby demonstrating that the punishment for theft is far more severe than the punishment for distributing infringing copies.

It is, however, also necessary to consider section 41(4) of the 1987 Malaysian Act which imposes criminal liability on officers of body corporate offender and partners of firm. The extension of criminal liability to persons other than the offender himself significantly adds to the potential severity of the punishment for distributing infringing copies.

Based on the analysis of the sanctions in section 379 of the Malaysian Penal Code and subsections 41(1)(i) and 41(4) of the 1987 Malaysian Act, it is clear that there are important differences between the respective sanctions, especially in relation to the forms of punishment made available. Section 379, for example, provides the court with the option to impose corporal punishment, whereas section 41(1)(i) merely allows for imprisonment and monetary fines.

These differences, however, do not mean that the sanctions are entirely incomparable. This is because the amount of monetary penalty and the length of the term of imprisonment that may be imposed on an offender are broadly similar. The comparison between the penalties for copyright infringement and theft can be analysed by reference to the two dimensions of harm and culpability, which relate to the intrinsic nature of the offence.

In terms of harm, the offence of theft under the Malaysian Penal Code is clearly regarded as more serious than the offence under section 41(1)(c) of the 1987 Malaysian

Act, as the Penal Code imposes higher maximum penalties of imprisonment and fines, as well as the potential for corporal punishment. This may be rationalised by the extent to which theft results in depriving the victim of a right to property, while copyright infringements are confined to economic harms.

In relation to culpability, both section 378 of the Penal Code and section 41(1)(c) of the 1987 Malaysian Act require the offender to have intentionally committed the criminalised conduct. While section 378 expressly provides for this requirement in its provision, section 41(1)(c) does this indirectly. At first glance, section 41(1)(c) appears to be a strict liability offence. However, the proviso that there is no offence where the alleged infringer is able to prove that he acted in good faith and had no reasonable grounds for supposing that copyright would be infringed shows that the provision requires proof of intention to commit the conduct.²⁷

Consequently, although there are significant differences between the penalties under section 41(1)(i) of the 1987 Malaysian Act and for the offence of theft under subsections 378-9 of the Malaysian Penal Code, the penal regimes for theft and copyright infringement under Malaysian law can, after relevant differences in the nature of the offences are taken into account, be regarded as broadly comparable.

C. Summary

Considering the inherent flexibility in Article 61 of the TRIPS Agreement, it is unsurprising that this assessment of subsections 41(1)(c) and 41(1)(i) of the 1987 Malaysian Act suggest that the Malaysian national criminal enforcement regime are, *prima facie*, in compliance with the international standard of criminal enforcement measures. It should, however, be borne in mind that this apparent conformity to the TRIPS may be challenged in a WTO dispute if the party alleging non-compliance to the standard has evidence to substantiate the claim.²⁸

III. FUTURE DIRECTION OF THE MALAYSIAN CRIMINAL ENFORCEMENT MEASURES

Malaysia recently signed the TPPA and expects to ratify the Agreement in the near future.²⁹ As the TPPA, a regional free-trade agreement negotiated between 12 countries,³⁰ contains

²⁷ Section 41(1), Copyright Act 1987 (Malaysia), Act 332.

²⁸ China – Intellectual Property Rights [7.602].

²⁹ Note that although Malaysia and 11 other countries signed the TPPA on 5 February 2016, the Agreement has yet to come into force. See 5th February 2016 “Malaysia Inks Landmark TPPA” TheStar Online <<http://www.thestar.com.my/news/nation/2016/02/05/malaysia-inks-landmark-tpa-it-joins-11-other-nations-in-signing-pact/>>. Site accessed on 16 February 2016; Ankit Panda, 8th October 2015 “Here’s What Needs to Happen in order for the Trans-Pacific Partnership to Become Binding” The Diplomat <<http://thediplomat.com/2015/10/heres-what-needs-to-happen-in-order-for-the-trans-pacific-partnership-to-become-binding/>>. Site accessed on 16 February 2016; Catherine Putz, 5th February 2015 “TPP: The Ratification Race is On” The Diplomat <<http://thediplomat.com/2016/02/tpp-the-ratification-race-is-on/>>. Site accessed on 16 February 2016.

³⁰ The negotiating parties were US, Brunei, Chile, New Zealand, Singapore, Australia, Malaysia, Peru, Vietnam, Canada, Mexico and Japan. See October 2015 “Summary of the Trans-Pacific Partnership Agreement” Office of the United States Trade Representative <<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2015/october/summary-trans-pacific-partnership>>. Site accessed on 10 January 2016.

a chapter specifically addressing the protection of intellectual property rights, the potential ratification of this Agreement is of particular significance to the Malaysian copyright regime and, in this context, the Malaysian criminal copyright enforcement regime.

The criminal enforcement measures in the TPPA are prescribed in Article 18.77, consisting of seven sub-articles. For the present purpose, however, the article focuses on Articles 18.77.1 and 18.77.6(a) due to their similarities to Article 61 of the TRIPS Agreement and their relevance to the analysis of Article 61 undertaken in part [II] of this article.

A. *Offence*

Article 18.77.1 of the TPPA reads as follows:

Each Party shall provide for criminal procedures and penalties to be applied at least in cases of wilful ... copyright ... piracy on a commercial scale. In respect of wilful copyright ... piracy, “on a commercial scale” includes at least:

- (a) acts carried out for commercial advantage or financial gain; and
- (b) significant acts, not carried out for commercial advantage or financial gain, that have a substantial prejudicial impact on the interests of the copyright ... holder in relation to the marketplace.^{125, 126}

¹²⁵ The Parties understand that a Party may comply with subparagraph (b) by addressing such significant acts under its criminal procedures and penalties for non-authorised uses of protected works, performances and phonograms in its law.

¹²⁶ A Party may provide that the volume and value of any infringing items may be taken into account in determining whether the act has a substantial prejudicial impact on the interests of the copyright ... holder in relation to the marketplace.

As can be seen, the first sentence of the provision mirrors the first sentence of Article 61 of the TRIPS Agreement. If the TPPA standard does no more than this, TPPA Members who are also WTO members and are presently bound to the standard established under Article 61 will not be required to make any changes to their domestic laws to comply with the TPPA standard.

Article 18.77.1, however, continues by explaining the phrase ‘wilful copyright piracy on a commercial scale’, marking a significant departure from the TRIPS standard. The Article clarifies the phrase by providing that it include: (a) acts carried out for commercial advantage or financial gain; and (b) significant acts that have a substantial prejudicial impact on the interests of the copyright holder in relation to the marketplace.

The inclusive definitions effectively dampen the flexibility provided in the Article 61 standard, which as explained in [II(A)], is silent on the type of conduct falling within the scope of the phrase ‘wilful copyright piracy on a commercial scale’. It also appears to be contrary to the definition of the term ‘commercial scale’ as interpreted by the WTO Panel in the *China – Measures Affecting the Enforcement and Protection of Intellectual*

Property Rights dispute.³¹ The differences and effects of the inclusive definitions in Article 18.77.1 are examined in detail below.

(i) Article 18.77.1(a)

As stated in [III(A)], definition (a) of the phrase ‘wilful copyright piracy on a commercial scale’ criminalises acts carried out for commercial advantage or financial gain. At first glance, the scope of conduct falling within the term ‘financial gain’ seems fairly broad as the simple act of downloading copyright material for personal use without paying for it could amount to obtaining financial gain (in the sense that the downloader is saved from having to pay for a legitimate copy of the material).³² Footnote 88 of the TPPA, however, ensures that infringements occurring within the private sphere is excluded from the scope of definition (a) of Article 18.77.1 by providing that acts carried out for financial gain refers to those carried out for commercial purposes.³³

Nevertheless, in neglecting to include any reference regarding the scale of the infringing act, definition (a) appears to criminalise single acts of infringements (provided the infringements are for commercial advantage or commercial purposes). This apparent disregard of the magnitude of infringements is clearly contrary to the WTO Panel’s interpretation of the term ‘commercial scale’. As explained in [II(A)], the WTO Panel listed three factors that must be taken into consideration when determining whether an infringing conduct is on a commercial scale, one of which is the magnitude or extent of the commercial activity. Although the US, in its submissions to the WTO Panel, suggested that the term ‘commercial scale’ should cover all infringements satisfying *any* of the following elements: (1) a certain magnitude; (2) operating at a commercial scale; or (3) financial gain,³⁴ the WTO Panel expressly rejected this.³⁵ The Panel stated that the term ‘commercial scale’ carries with it both the concepts of qualitative (commercial) and quantitative (scale), following which it would be incorrect to merely accord the term with either concepts.³⁶ It is therefore evident that definition (a) has the effect of overruling the WTO Panel’s decision in the *China – Measures Affecting the Enforcement and Protection of Intellectual Property Rights* dispute.

(ii) Article 18.77.1(b)

Definition (b), on the other hand, in criminalising significant acts that have a substantial prejudicial impact on the interests of the copyright holder in relation to the marketplace, expands the scope of the term ‘commercial scale’ defined by the WTO Panel. The Panel in that dispute confined the scope of criminal conduct to the acts of buying and selling

³¹ See Ainee Adam, n 4, p 342 for more on the WTO Panel’s interpretation of the term ‘commercial scale’.

³² See also Kimberlee Weatherall, 2015 “*Section By Section Commentary on the TPP Final IP Chapter Published 5 November 2015 – Part 3 – Enforcement*” Selected Works of Kimberlee G Weatherall <<http://works.bepress.com/kimweatherall/33>> 49. Site accessed on 10 January 2016.

³³ See fn 88 of the Trans-Pacific Partnership Agreement (‘TPPA’).

³⁴ *China – Intellectual Property Rights*, WTO Doc WT/DS362/R (2009) [25 at page A-5].

³⁵ *China – Intellectual Property Rights*, WTO Doc WT/DS362/R (2009) [7.553].

³⁶ *China – Intellectual Property Rights*, WTO Doc WT/DS362/R (2009) [7.553].

involving infringing goods.³⁷ Definition (b), however, criminalises *significant acts* (as opposed to *commercial act*) causing substantial prejudicial impact.³⁸ This means that the conduct being criminalised may also include the unauthorised act of sharing copyright materials on the internet.

While the inclusive definitions of the term ‘commercial scale’ provides significant insight into the standard of criminal enforcement measures prescribed in the TPPA, the fact that inclusive definitions are included in the provision is also noteworthy. By prescribing inclusive definitions to the term, TPPA members are not confined to merely criminalising infringing acts carried out for commercial advantage or financial gain (commercial purposes) and acts causing substantial prejudicial impact on the interests of the copyright holder in relation to the marketplace. Therefore, it is entirely reasonable for a TPPA member to expect another TPPA member to criminalise a wider range of copyright infringement under Article 18.77.1 than what is required under Article 61 of the TRIPS Agreement.

In short, it is clear that the scope of Article 18.77.1 is significantly broader than Article 61 of the TRIPS Agreement. Although it similarly criminalises infringements on a commercial scale, it curtails the flexibility provided to WTO members in interpreting the term ‘commercial scale’. The inclusive definitions ensure that the TPPA Members are compelled to criminalise certain relatively trivial conduct which may not commonly be regarded as infringements on a commercial scale.

Taking into account the changes Article 18.77.1 will bring about to the current international standard of criminal enforcement measures, it is then necessary to re-assess the criminal enforcement regime in the 1987 Malaysian Act to determine whether the current regime is consistent with the TPPA standard.

As discussed, definition (a) requires Malaysia to criminalise (single) acts of infringements carried out for commercial advantage or financial gain (commercial purposes) whereas definition (b) requires the criminalisation of significant acts that have a substantial prejudicial impact on the interests of the copyright holder in relation to the marketplace. Also, as explained in part [II(B)(i)], section 41(1)(c) of the 1987 Malaysian Act criminalises the distribution of more than three infringing copies of a work in the same without making any references as to the purpose for distributing the infringing copies. In view of the manner in which section 41(1)(c) is formulated, it is suggested that the provision is consistent with Article 18.77.1 of the TPPA. This is because not only is the Malaysian provision is unconcerned with the purpose for distributing the infringing copies (be it for commercial gain or financial gain or even not-for profit activities), it is also sufficiently general to include single acts of infringements. Following from this, it does not appear as though any amendments to section 41(1)(c) will be necessary to comply with Article 18.77.1 of the TPPA.³⁹

³⁷ *China – Intellectual Property Rights*, WTO Doc WT/DS362/R (2009) [7.535].

³⁸ See Kimberlee Weatherall, 2015 “*Section By Section Commentary on the TPP Final IP Chapter Published 5 November 2015 – Part 3 – Enforcement*” The Selected Works of Kimberlee G Weatherall <<http://works.bepress.com/kimweatherall/33>> 49. Site accessed on 10 January 2016.

³⁹ This does not, however, mean that the current formulation of s. 41(1)(c) is ideal. But, this will not be addressed here.

* Emphasis added. It is understood that there is no obligation for a Party to provide for the possibility of imprisonment and monetary fines to be imposed in parallel.

B. Punishment

Article 18.77.6(a) prescribes the punishment to be made available for wilful copyright piracy on a commercial scale. As the TPPA standard for criminal enforcement measures is built on the Article 61 standard, the wording in Article 18.77.6(a) resembles the second sentence in Article 61 of the TRIPS Agreement. The Article 61 standard reads as follows:

Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity.

Whereas the TPPA standard reads as follows:

... [E]ach Party shall provide penalties that include sentences of imprisonment *as well as* monetary fines sufficiently high to provide a deterrent to future acts of infringement, consistently with the level of penalties applied for crimes of a corresponding gravity;*

As can be seen, there are striking similarities between the two standards. Nevertheless, there are slight differences between the two standards, with the TPPA standard requiring its signatory states to provide *both imprisonment and pecuniary penalties* as punishment for wilful copyright piracy on a commercial scale. This is unlike the TRIPS standard which provide WTO members with the option to make available *either imprisonment or pecuniary penalties or both*.

While this departure from the TRIPS standard may appear alarming as the flexibility to determine the range of penalties to be made available is removed, it is to be noted that the TPPA does not compel its signatory states to impose both imprisonment and pecuniary penalties in parallel. This means that the courts' discretion to determine the type of punishment that should be imposed on an offender is unhindered as the judges may choose to impose either sanction. Therefore, the severity of the TPPA standard is effectively tempered.

Upon understanding the measure prescribed by the TPPA standard, it is then necessary to examine whether the Malaysian criminal enforcement measures are consistent with the new measures. As explained in [II(B)], section 41(1)(i) of the Malaysian Act provides that an offender may be fined or imprisoned or both. It is therefore arguable that the provision is in compliance with the TPPA standard in that the provision provides for both imprisonment and pecuniary penalties but leaves it to the judges to exercise their discretion in imposing either or even both sanctions. This means that ratification of the TPPA will not likely result in amendments to the penalties scheme in the Malaysian copyright criminal enforcement measures.

It is, however, necessary to also consider Article 18.71.5 of the TPPA which requires signatory States to '...take into account the need for proportionality between the seriousness of the infringement of the intellectual property right and the applicable remedies and penalties, as well as the interests of third parties' in implementing the

provisions concerning the enforcement of intellectual property rights. This includes the implementation of Article 18.77.6(a).

An examination of the previous leaked texts of the IP chapter of the TPPA interestingly shows that Article 18.71.5 was not part of the measures being proposed by the various negotiating parties.⁴⁰ Without access to the negotiating documents, it is not possible to shed any light onto the reasoning behind the addition of Article 18.71.5. This is even more so when the requirement for proportionality in the TRIPS Agreement, while in existence, refers only to measures in relation to the disposal of infringing goods and materials and implements used to create the infringing goods,⁴¹ unlike the TPPA.

Nevertheless, in ensuring proportionality in calibrating the appropriate level of punishment, the TPPA requires signatory States to consider three factors: (1) seriousness of the infringement; (2) the applicable penalties; and (3) the interests of third parties. This means that TPPA members should not only ensure that the punishment to be made available is proportionate to the seriousness of the infringement, but also balanced with the interests of third parties such as copyright holders and consumers.

While the first and second factors are consistent with the method established in deterrence theory when determining the severity of punishment for a particular crime,⁴² the third factor adds a new dimension to this formula. This means that TPPA members will be required to consider key stakeholders' interests when determining the level of punishment to be made available for wilful copyright piracy on a commercial scale. In a situation where civil society groups are sufficiently influential to be able to balance the pressure from commonly dominant organisations representing the interests of copyright owners, the third factor would probably not be of much effect to the fine balance between the seriousness of the infringement and its subsequent punishment. However, more often than not, especially in developing countries such as Malaysia, civil society groups, if any, are oft disregarded. This factor may then prove to be problematic as copyright holders would have a degree of unfettered influence in determining the amount of punishment to be made available.

⁴⁰ See 16th October 2014, "Updated Secret Trans-Pacific Partnership Agreement (TPP) – IP Chapter (Second Publication)" WikiLeaks <<https://www.wikileaks.org/tpp-ip2/>>. Site accessed on 10 January 2016; 13th November 2013 "Secret TPP Treaty: Advanced Intellectual Property Chapter for All 12 Nations with Negotiating Positions" WikiLeaks <<https://wikileaks.org/tpp/static/pdf/Wikileaks-secret-TPP-treaty-IP-chapter.pdf>>. Site accessed on 10 January 2016.

⁴¹ Article 46 reads as follows:

In order to create an effective deterrent to infringement, the judicial authorities shall the authority to order that goods that they have found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce ...[and] the authority to order that materials and implements the predominant use of which has been in the creation of the infringing goods be, without compensation of any sort, disposed of outside the channels of commerce ... In considering such requests, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account...

⁴² See Beccaria and Bentham's argument that punishment should reflect the level of harm caused by the offender in Cesare Beccaria, *On Crimes and Punishments and Other Writings* Richard Davies, Virginia Cox, Richard Bellamy trans, Cambridge University Press, 1995 (1738 – 1794) pp 19-21; Jeremy Bentham, *The Rationale for Punishment* Robert Heward, 1830 pp. 32 – 34.

Referring back to the penalties in section 41(1)(i) of the 1987 Malaysian Act, the question that arises then, are the penalties consistent with Article 18.71.5? In relation to the proportionality between punishment and the seriousness of the infringement, as Article 18.77.6(a) of the TPPA, similar to Article 61 of the TRIPS Agreement, relies on the level of punishment made available for crimes of a corresponding gravity to determine the level of punishment for wilful copyright piracy on a commercial scale, it will be redundant to repeat the analysis undertaken in part [II(B)(ii)] of this article.

It will be difficult, however, to currently determine whether the punishment is proportionate upon considering the interests of third parties as it is dependent on the demands made by the third parties. Therefore, this is a question that may be answered when, and if, the circumstances arise.

Following from this, for the current purpose, it is sufficient to state that a black letter comparison of the penalties for copyright piracy on a commercial scale and theft as set by the laws as they are on the books *prima facie* shows that that the penalties in section 41(1)(i) of the 1987 Malaysian Act are in compliance with the TPPA standard.

C. *Summary*

An in-depth analysis of the Articles 18.77.1, 18.77.6(a) as well as 18.71.5 reveals that the TPPA standard of criminal enforcement measures (where it corresponds to Article 61 of the TRIPS Agreement) is comparatively harsher than the TRIPS standard. This is mostly attributable to the presence of inclusive definitions to the term ‘commercial scale’ which significantly broadens the scope of conduct to be criminalised. Despite this, the manner in which the Malaysian penal provisions have been formulated likely renders the TPPA standard to be of little effect to the current national criminal enforcement regime.

IV. CONCLUSION

The objective of this article is twofold. First, it re-assesses the current criminal enforcement measures in the 1987 Malaysian Act to determine the extent of the compliance with Article 61 of the TRIPS Agreement. Second, it evaluates whether the TPPA standard, if ratified and subsequently comes into force, will result in any amendments on the existing measures.

In assessing Malaysia’s compliance with the Article 61 standard, the flexibility inherent in the wording of the standard allows for the presumption that the Malaysian penal provisions are TRIPS-compliant. The TPPA standard, on the other hand, is comparatively more certain than Article 61 as it defines the term ‘commercial scale’ and determines the range of punishment that must be made available as well as the considerations that should be taken into account when determining the level of punishment that should be made available. Despite these significant changes to the current international standard of criminal enforcement measures, the article finds that penal provisions in the 1987 Malaysian Act will require minimal changes, if any, so as to comply with the TPPA standard.

This tentative conclusion on Malaysia’s conformity with the TRIPS and TPPA standard, however, should not be taken as the end of the analysis, as the determination of whether the penalties in the 1987 Malaysian Act are set at a level sufficient to provide

a deterrent should include factors such as community perceptions of the seriousness of copyright infringement in comparison to theft of movable property. For example, if, as seems to be the case, the community perceives copyright infringements as less serious than theft of movable property, then setting criminal penalties at broadly similar levels clearly would not result in the same level of deterrence. In fact, it may result in over-criminalisation by way of excessive punishment. Therefore, extensive empirical work will be necessary to determine whether the Malaysian penalties scheme are properly calibrated so as to provide an effective deterrence to wilful copyright piracy on a commercial scale, as required by both the TRIPS and the TPPA standards.