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A Liquidator's Role In Managing Intellectual Properties Of A Liquidated Company

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In a winding up, it is the duty of the appointed liquidator to realise the company's assets for distribution to the company's creditors and contributories. Accordingly, the liquidator is obliged to dispose or manage all assets and property of the company including intellectual property (IP) such as trademarks, copyrights, patents, industrial designs etc., even the liquidator is not familiar with the subject matter of the relevant IP. As highlighted by the High Court in *Yap Cheng Hai v Yap Cheng Hai Feng Shui Center of Excellence Sdn Bhd & Ors*, as IP remains the core business of the company, the liquidator ought to engage experts to assist him in managing the IP of the company in liquidation.

Once the company's liquidation process is completed and the company is dissolved, all undisposed assets would be vested with the Registrar of the Companies Commission of Malaysia (CCM) under Section 557 of the Companies Act 2016.

Thus, it is crucial for liquidators to take note of issues in disposing different types of IP of companies in liquidation prior to dissolution of the company, especially trademarks and patents.

Trademarks

The governing law of trademarks in Malaysia in the Trademarks Act 2019 (TA 2019). Interestingly, the TA 2019 is silent on status of trademark registrations upon liquidation of its corporate owners.

Regardless, liquidators are obliged to realise trademark registrations of the company as assets for distribution. In this regard, liquidators may assign the trademark registrations under Section 64 of TA 2019 which is akin to a transfer of ownership of the trademark to 3rd parties for a price. An interesting issue may arise concerning expired trademark registrations during the liquidation of the company. In such circumstances, would a liquidator have the power to restore

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expired trademark registrations under Section 39(9) TA 2019?

It appears that a liquidator may reinstate expired trademark registrations as under Section 483(1) CA 2016. In a winding up scenario, the property of the company shall be vested in the appointed liquidator. This would mean that the liquidator is entitled to manage trademarks as if it is the trademark owner, including restoration of expired trademarks under Section 39(9) TA 2019.

Patents

Patents Act 1983 governs the registration and protection of patents in Malaysia. This Act is also silent concerning the status patent registrations of corporate owners in liquidation.

Typically, patents have a longer prosecution period compared to trademark applications. In other words, it takes much longer for patent applications to be processed and examined by patent offices as compared to trademark applications. Generally, a domestic trademark application may be registered between 6 months to 1 year without objections by the trademark office, whilst a domestic patent application may take more than 1 year to be processed because the examination methodology of trademark applications and patent applications are very different from one another. The former involves an examination of existing trademarks in the local trademarks register, whilst the former involves the examination of 'prior arts' across all jurisdictions in the relevant field of art.

This presents a challenge to a liquidator in managing patent applications that are still pending approval, particularly when:

- (a) The company has expended resources on a particular invention.
- (b) The invention has been disclosed vis-à-vis the patent application.

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Therefore, it is prudent for a liquidator to capitalise on the value of the patent application by engaging a third party patent agent for an assignment or transfer of patent under Section 39 of PA 1983.

Conclusion

Management of IP assets of companies are multi-faceted, and the complexities arising therein are not exhaustive. Hence, it is recommended that liquidators to engage the IP experts including IP lawyers to manage the IP of companies in liquidation in order to realise the value of IP for the purposes of distribution.

Authored by Kenny Lam Kian Yip, a senior associate with the firm's Dispute Resolution practice with a specialisation in Intellectual Property.

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