

Newsletter

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Liability of e-commerce buying agents - *Calvin Klein, Inc and another v HS International and others*

The recent case of *Calvin Klein, Inc and another v HS International and others* [2016] SGHC 214 sheds some light on the liability that intermediaries may incur if they are involved in the sale of infringing goods.

Facts

The 1st plaintiff, Calvin Klein, Inc., is a leading fashion design and marketing company. The 2nd plaintiff, Calvin Klein Trademark Trust, is a business trust and the registered proprietor in Singapore of the 1st Plaintiff's trademarks.

Meanwhile, the 1st defendant, HS International Pte Ltd, is a freight forwarding company.

The 2nd defendant, Global PSM Pte Ltd, is a company which operates the website www.sgbuy4u.com ("**SGbuy4u Website**"). The SGbuy4u Website is an e-commerce platform from which customers can buy a wide variety of goods. The product listing of goods sold are obtained from the Chinese online shopping website, Taobao.com ("**Taobao**"). The SGbuy4u Website, does not store, manufacture or possess any of the products listed. Rather, it facilitates customers' purchases in the following manner: once a customer makes a purchase, the operators of the SGbuy4u Website would make a corresponding purchase from Taobao, which would be delivered to a specific warehouse in the People's Republic of China. Thereafter, the 2nd defendant would ship the purchase to Singapore and deliver it to the customer.

The 3rd defendant, Tan Keng Hiang Jeffrey, is the sole shareholder and director of the first two defendants as well as the administrator of the SGbuy4u website.

The plaintiffs made sample purchases from the SGbuy4u Website and subsequently sued the defendants for offering for sale on the website goods that bore the plaintiffs' trademarks, without first obtaining the plaintiffs' permission.

Trademark infringement

Under section 27(1) of the *Trade Marks Act* ("**TMA**"), a person infringes a registered trade mark if, without the consent of the proprietor of the trade mark, he uses in the course of trade a sign which is identical with the registered trademark and the use is in relation to the same goods and services for which the mark was registered.

On the facts, the High Court found that the "double identity" requirement (i.e., use of identical trademarks for identical goods) was satisfied as the products obtained from the sample purchases bore the plaintiffs' registered trademarks and were used for items for which those trademarks were registered.



The main issue before the Court was whether the marks were "used in the course of trade" under s. 27(4)(b) of the TMA.

The plaintiffs argued that the sample purchases were goods that the defendants had offered for sale. As such, the statutory requirement of "used in the course of trade" was satisfied.

In response, the defendants raised 2 main defences, namely (1) the defendants were merely offering a courier or freight forwarding service; and (2) they were merely providing a customer-to-customer platform to facilitate the sale and purchase of goods.

The crux of the inquiry therefore lay in the proper characterisation of the activities of the SGBuy4u Website.

The defendants' argument that they were mere intermediaries was rejected by the Court as the SGBuy4u Website provided more services than traditional courier companies. Specifically, the defendants received payment for the products and placed the order for them with the seller.

In addition, the defendants' argument that they were merely providing a platform for sellers to connect with buyers was rejected by the Court. Unlike the SGBuy4u Website, other platforms did not liaise with individual sellers who posted product listings, place orders with sellers, or receive products and send them to the buyers.

The Court ultimately decided that the defendants' sale of the goods bearing the plaintiffs' registered trademarks constituted an infringement under s. 27(1) of the TMA. This decision was based on the following findings:

(i) Instances of sale and purchase

There were 2 instances of sale and purchase whenever a user bought an item from the Sgbuy4u Website.

The first contract of sales arose between the buyer and the 2nd defendant when a customer browsed the SGBuy4u Website and made a purchase.

The second contract of sale arose when the 2nd defendant purchased from a Taobao seller and subsequently arranged for the purchase to be delivered to Singapore. This was supported by the fact that users of the SGBuy4u Website did not interact with sellers on Taobao (or, conversely, that such sellers were not aware of the users of the Sgbuy4u Website).

(ii) Profitability from an arbitrage on exchange rates

The Court also concluded that the 2nd defendant made a profit from an arbitrage in the exchange rate offered. Based on the plaintiffs' sample purchases, the





exchange rate offered to the users of the SGbuy4u Website was distinct from the prevailing market exchange rate.

The Court therefore decided that goods were offered for sale (and actually sold) via the SGbuy4u Website. The contracts between customers and the 2nd defendant were not mere contracts for services, but constituted contracts for the sale of goods.

Liability of the defendants

Having decided that the plaintiffs' trademarks were infringed, the Court had to consider the specific liability of each of the 3 defendants. The Court held that the 2nd defendant was liable for trademark infringement and granted the plaintiffs summary judgment against the 2nd defendant. The court however declined to award summary judgment against the remaining defendants. As such, the 1st and 3rd defendants were granted leave to defend the plaintiffs' claims.

The 1st defendant's only connection to the SGbuy4u Website was that its address and contact number were listed on the website. However, this was not enough to prove that the 1st defendant had carried out an infringing use of the plaintiffs' registered trademarks under s. 27(4)(b) of the TMA.

The 3rd defendant was the sole director and shareholder of the 2nd defendant. However, there was insufficient evidence to prove that the 3rd defendant was personally involved in the infringing use of the plaintiffs' trademarks. While the plaintiffs attempted to argue that the 3rd defendant was guilty of secondary trademark infringement, the Court recognised that this was an area of undecided law and was inappropriate for determination at a hearing for summary judgment.

Comments

Due to the increasing challenges in combating foreign manufacturers that offer IP infringing goods, trademark holders may increasingly target Singapore-based intermediaries that facilitate the sale of infringing goods.

This case demonstrates that intermediaries can no longer disclaim liability merely because they do not physically manufacture or stock the products. The courts will not hesitate to scrutinise an e-commerce platform's purported business model to determine liability.

While the Court declined to make a ruling on the applicability of secondary trademark infringement in Singapore, its observations in this regard may be pertinent should the plaintiffs file an appeal against the 1st and 3rd defendants. More broadly, the Court's acknowledgement of the doctrine may provide trademark holders with more options to pursue infringement claims.





Availability of exemplary damages for patent infringement - *Main-Line Corporation v United Overseas Bank and another*

The saga between Main-line Corporation and United Overseas Bank Ltd and First Currency Choice Pte Ltd has finally ended with a judgment in *Main-line Corporation v United Overseas Bank and another* [2016] SGHC 285 in favour of the plaintiff, Main-line Corporation. This judgment brings finality to the 10-year long litigation between the plaintiff and the 1st and 2nd defendants (United Overseas Bank Ltd and First Currency Choice Pte Ltd respectively).

The case is significant in that the High Court considered the appropriate damages to be awarded, and the availability of exemplary damages in patent infringement cases.

Facts

The plaintiff owned the patent rights to the "Dynamic Currency Conversion for Card Payment Systems" (the "**Patent**"). The Patent was a method and system for automatically determining the operating currency of a credit card at the point of sale between the customer and a merchant. This would allow the customer to know the exact costs of his purchase in his "home currency" at the time of purchase.

Around October 2001, the 2nd defendant approached the 1st defendant and offered its own system which contained the same functionality as the plaintiff's patented system.

The plaintiff commenced action against the 1st and 2nd defendants for infringement of the Patent. The trial culminated in a finding of liability against both defendants. In 2008, the liability of the defendants was upheld by the Court of Appeal. The plaintiff then elected for an account of profits against the 1st defendant and damages (including exemplary damages) against the 2nd defendant.

The plaintiff based its claim for exemplary damages on the following factors:

- (a) There is no bar in Singapore precluding the Court from awarding exemplary damages;
- (b) The 2nd defendant had been dragging out the proceedings to repatriate profits to holding companies outside of Singapore "to put those monies out of the reach of [the Plaintiff]";
- (c) The 2nd defendant had continued to infringe the Patent in Thailand;
- (d) The 2nd defendant's conduct was so egregious such that compensatory damages were inadequate; and





- (e) The 2nd defendant's infringement emboldened other service providers and banks in Singapore to infringe the Patent.

Exemplary damages for patent infringement in Singapore?

The Court ultimately decided that it did not have jurisdiction to grant exemplary damages in patent infringement cases. In reaching its decision, the Court compared the *Copyright Act* against the *Patent Act*.

Section 119(4) of the *Copyright Act* expressly provides:

"the court may, in assessing damages for the infringement under subsection (2)(b), award such **additional damages as it considers appropriate in the circumstances**." (emphasis added)

As the Patents Act did not contain such provision for damages, and given that parliamentary debates were silent on this matter, the Court was of the view that Parliament had not intended for exemplary damages to be available in patent infringement cases.

The Court also distinguished the approach adopted by its UK counterparts - which appears to be more permissive in awarding exemplary damages in patent infringement cases. The Court attributed this distinction to the European Union Intellectual Property regulations which the UK had to comply with.

Comments

Damages for patent infringement are confined to an account of profits that are compensatory rather than exemplary or punitive in nature. The Court's decision may influence companies' strategies in combating IP infringers as rights owners will need to consider other avenues to discourage infringement.

The case may have a broader impact on the law of trademark and registered designs. Like the Patents Act, the statutes governing trademarks and registered designs do not contain provisions that provide courts with jurisdiction to grant exemplary damages. As such, the courts in other cases may be inclined to adopt the same approach when deciding whether to grant exemplary damages for the infringement of trademarks or registered designs.





Who is a "person aggrieved" for purposes of establishing groundless threats of infringement proceedings? - *Towa Corp v ASM Technology Singapore Pte Ltd and another*

In *Towa Corp v ASM Technology Singapore Pte Ltd and another* [2016] SGHC 280, the High Court considered whether the plaintiff was liable for making groundless threats of infringement proceedings.

Facts

The plaintiff, Towa Corporation, is the registered proprietor of a product known as IDEALmold machine (the "**Patent**").

The 1st defendant, ASM Technology Singapore Pte Ltd, is a Singapore-incorporated company that is wholly owned by the 2nd defendant, ASM Pacific Technology Limited.

The plaintiff commenced an action against the defendants for infringement of the Patent. Meanwhile, the defendants, apart from defending the claim, also argued that the plaintiff had breached s. 77 of the *Patents Act* (the "**PA**") for groundless threats of infringement proceedings.

Holding

In determining whether s. 77 of the PA applied, the Court had to consider whether the 2nd defendant fell within the definition of a "person aggrieved by the threats" of infringement proceedings. This claim did not arise for the 1st defendant as it had infringed the Patent.

The Court construed s. 77 of the PA as being "*concerned with the commercial interests of a plaintiff who brings a claim under the section*". Specifically, the section only applies to those who are affected by such threats due to the nature of their businesses.

The 2nd defendant argued that its commercial interests were affected by the plaintiffs' threats as it had to devote significant time to answering them and they were a distraction from its commercial business.

The Court however held that the 2nd defendant was not a person aggrieved. It was therefore not entitled to rely on s. 77 of the PA. In reaching its decision, the Court had regard to the fact that the 2nd defendant was an investment holding company and was not involved in the 1st defendant's manufacturing or sales operations. As such, the plaintiff's threats involving the IDEALmold machine could not have affected the 2nd defendant's business.





Comments

This case clarifies that a failure to establish liability for infringement will not automatically give rise to a remedy for groundless threats of infringement proceedings. It is now clear - at least for patent infringement cases - that the courts will engage in an examination of the *locus standi* of litigants to determine if they satisfy the specific requirements of s. 77 of the PA.

What constitutes a trademark application made in "bad faith" - *Lim Ching Kwang v Audi AG*

The case of *Lim Ching Kwang v Audi AG* [2016] SGIPOS 2 concerned the revocation and invalidation of a registered trade mark.

Facts

The registered proprietor, Lim Ching Kwang, registered the following trade mark (the "Mark") on 5 October 2009 in Classes 7 and 12:



Class 12 covers vehicles, apparatus for locomotion by land, air or water, motor and engines for land vehicles as well as parts and fittings for vehicle.

On 31 March 2015, the applicant, Audi AG, applied for the following:

- (1) The revocation of the Mark on grounds of non-use for a continuous period of 5 years as per ss. 22(1)(a) and (b) of the *Trade Marks Act* (the "TMA"); and
- (2) The invalidation of the Mark on the basis that it was applied for in bad faith as per under s. 23(1) read with s. 7(6) of the TMA.

Revocation of the Mark

Based on the evidence, the Registrar decided that the registered proprietor has shown genuine use of the Mark only in respect of "torque rod bushes". The registration of the Mark in Class 12 was therefore revoked, save for "torque rod bushes".

The registered proprietor did not register the Mark in bad faith

The Registrar decided that the registered proprietor did not breach s. 7(6) of the TMA as it had not acted in bad faith.





The test to determine if a trademark was registered in bad faith is a combined one which contains both a subjective element and an objective element. To prove bad faith, the applicant must show that:

- (1) The registered proprietor's conduct in applying for registration of the trademark fell short of the normally accepted standards of commercial behavior; and
- (2) The registered proprietor knew of facts, which, to an ordinary honest person, would have made the latter realise that such conduct would be regarded as breaching those standards.

The applicant chiefly argued that the registered proprietor had registered the Mark for an overwhelmingly wide class of goods, and that the paid-up capital of the company was of such "minor scale" that they would not have the capacity to use the Mark on the whole range of goods covered by the registration.

The Registrar was not convinced by the applicant's arguments as there was a lack of evidence to show that the registered proprietor's conduct in registering the Mark to cover a broad class of goods was commercially unrealistic.

Notably, the Registrar recognised that it was legitimate for businesses to seek registration for trademarks for both categories of goods and services to which the company currently marketed to and categories to which the businesses intended to market in the future.

The Registrar also recognised that the paid-up capital of a company does not accurately represent the types of goods in which the company can trade. The capital of a business is not static and the amount of paid-up capital in and of itself cannot be indicative of whether the company can trade in the various classes for which it has registered the trademark.

The fact that the Registrar found that the registered proprietor had made genuine use of the Mark in respect of one class of goods was enough to show a bona fide intention to use the Mark. Moreover, the Registrar held that even though there was non-use of the Mark in respect of the other classes of goods, this did not necessarily lead to a conclusion that there was a lack of a bona fide intention to use the Mark at the point of application.

Comments

This case reaffirms the fact that the courts will require a high standard of proof to establish bad faith before a registered trademark will be invalidated.

The courts are generally cognisant of business realities and would generally not question commercial decisions. Therefore, the fact that companies decide not to use trademarks for all the classes of goods for which they register will not give rise to an adverse inference.





As for the issue of revocation, the courts will scrutinise whether marks have been used in accordance with s. 22(1) of the TMA and will revoke such marks in relation to goods that have not been used for a continuous period of 5 years. This strikes an important balance between preventing trademark hoarding and allowing companies a degree of leeway in making commercial decisions.

Amendments to IPOS fees

The latest amendments to the Intellectual Property Office of Singapore's ("IPOS") fees will come into force from 1 April 2017.

As part of IPOS's efforts to drive innovation in Singapore, IPOS will reduce its filing fees for patent and trademark protection.

The fees for a patent search and examination reports will also be reduced. In addition, brand owners applying for trademarks using a pre-approved list of goods and services will enjoy a 30% discount.

Additionally, the amendments include an increase in fees for renewing patents (an increase of 37%) and trademarks (an increase of 52%). These are aimed at discouraging the practice of IP hoarding. This fee increase however is not all bad news for patent owners as those who are willing to offer their patents for licensing will continue to enjoy a 50% discount for renewal fees. Meanwhile, patent owners who release their patents will enjoy a waiver of the administrative costs for doing so.

Therefore, while the estimated life cycle costs for filing patents and trademarks in Singapore will rise slightly, they remain competitive when compared to rates in major jurisdictions. For instance, Singapore still charges lower life cycle costs for patents and trademarks as compared to major jurisdictions such as Korea, Japan, China, USA, Australia and the UK.

Overall, taking into account the fee revisions, Singapore continues to offer internationally competitive fees. Rights holders who want to build a competitive edge through IP will be encouraged to know that IPOS has taken steps to address the right holders' cost concerns and to help them in the midst of a challenging business environment.

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