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LEGAL UPDATE

CASE NOTE – TRADE MARKS

Louis Vuitton Malletier v City Chain Stores (S) Pte Ltd [2010] 1 SLR 382; [2009] SGCA 53

The plaintiff is part of the LVMH Group which owns the well-known brand "LOUIS VUITTON", whose products include fashion and travel items, luggage, handbags, leather goods, ready-to-wear fashion, footwear, jewellery, writing instruments and sunglasses. The plaintiff has, since 2002, manufactured and sold watches bearing the "Flower Quatrefoil" trade mark, which commenced sales in Singapore in 2004 exclusively through LVMH Fashion Singapore, a wholly-owned subsidiary. The defendant is part of the City Chain retail chain and in November 2006, launched a range of watches in Singapore bearing the SOLVIL trade mark. These watches bore flower motifs ("Solvil Flower") on its dial and strap.

Louis Vuitton alleged that its Flower Quatrefoil mark had been infringed by the defendant's use of its Solvil Flower. It also proceeded to conduct search and seizure raids on four City Chain outlets and commenced action against the defendant for trade mark infringement and passing off, claiming damages for brand dilution. City Chain's main argument was that its Solvil Flower was not used as a trade mark on its Solvil watches, being merely decorative. It also argued that there was also no misrepresentation that was likely to deceive the public at large since the differences between the parties and their goods, as well as other circumstances of trade. The High Court did not agree and found that Louis Vuitton succeeded on trade mark infringement under sections 27(1) and 27(2) Trade Marks Act, as well as for well-known trade mark infringement under section 55 of the Act.

The Court of Appeal allowed the appeal by City Chain. The Court did not agree that Solvil Flower was used as a trade mark to denote origin. The Court carefully analyzed the differing approaches adopted by the English Court, which requires that infringing use be in a trade mark sense, and the European Court of Justice, which preferred the broader approach focusing on whether the infringing use is liable to affect the function of the trade mark. However, for the purposes of the appeal, whichever approach was adopted would obtain the same result.

The Court noted that the Solvil Flower was used randomly and was non-uniformly represented on the defendant's watches, and found that the predominant use of the Solvil Flower is for decorative purposes, not as a trade mark. Also, there was no evidence to indicate association between Louis Vuitton and City Chain on account of advertisements, methods of sale and packaging of the Solvil watch. The Court disagreed with the judge below that a consumer might think that there was collaborative marketing between the parties on account of the Solvil Flower or that the defendant was licensed by the plaintiff since no evidence was adduced of any such confusion. Any risk of confusion remained hypothetical and speculative. On the contrary, the Court took the view acknowledged that the target consumers of Solvil watches are likely to be young and trendy consumers looking for a bargain, whereas

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the target consumers of Louis Vuitton products were likely to be more sophisticated and affluent and available only in three Louis Vuitton boutiques. The SOLVIL mark also appears prominently and there would be a huge price differential between the parties' products.

The Court also took the view that it was insufficient for Louis Vuitton to establish goodwill in the "Louis Vuitton" brand generally, and rather, specific goodwill in the Flower Quatrefoil mark had to be shown. As no distinctive or sufficient goodwill in the Flower Quatrefoil mark was adduced, the Court found that the action failed at the threshold of proving goodwill and that it was not necessary to consider the other two elements in the action for passing off, i.e. misrepresentation and damage. In any case, misrepresentation must be analyzed from the perspective of the potential customers of Louis Vuitton and given the difference in marketing and sale of the parties' products as well as the fact that target customers of Louis Vuitton are likely to be discernable people with discernable taste, there would be no likelihood of misrepresentation leading to confusion.

The Court also did not agree that the judge below was entitled to take judicial notice of certain "facts" in concluding that there was damage. First, he took judicial notice that certain people would be turned away from certain luxury brands on account of fakes and cheap look-alikes in the market, without any sufficient specificity or basis for reaching this view. Secondly, as Louis Vuitton failed to adduce any evidence that correlated declining sales to increase in fake and cheap look-alikes in the market, it was improper for the judge below to make any conclusive assumption of damage.

On the issue of brand dilution, the Court held that for a mark to be protectible for being "well known to the public at large", it had to be recognized by most sectors of the public. Louis Vuitton did not adduce any evidence of the degree to which the Flower Quatrefoil mark on its own is known to any relevant sector of the public, nor evidence that the Flower Quatrefoil mark has been used on its own as a trade mark or its value. The Court disagreed with the judge below that a mark can become distinctive or well known simply because it is unique, conspicuous or not descriptive.

MediaCorp News Pte Ltd v Astro All Asia Networks PLC [2009] SGHC 176

The plaintiff is MediaCorp News, a local broadcasting company responsible for the "Channel News Asia network and registered proprietor of a stylized "A" trade mark for the network services in Class 35. The defendant is Astro All Asia Networks , a Malaysian TV and satellite broadcaster who applied to register its Astro Mark (also in the form of a stylized "A" in respect of Class 16 goods and Class 35 services.

There are several similarities between the CNA Mark and the Astro Mark (the "Two Marks"), namely, the positioning of a prominent (in size) triangular "A" device above the name and use of red for the device. MediaCorp relied on section 8(2)(b) and 8(3) Trade Marks Act to oppose Astro's application. However, the Assistant Registrar took the view that despite the similarities between the two marks, the average consumer would unlikely be confused into thinking the two marks originated from the same source and hence dismissed MediaCorp's opposition.

Similarity of goods and likelihood of confusion

With respect to MediaCorp's opposition under section 8(2), MediaCorp had the burden of proof to satisfy the following criteria:

- MediaCorp has an earlier registration which satisfies the definition in section 8(2) of the Act

- The Astro Mark and the CNA Mark are identical and the goods in question are similar

- The Astro Mark and the CNA Mark are similar and the goods in question are similar

- There exists a likelihood of confusion due to the similarity of the marks and the goods.

The registrar determined that due to the presence of the words on both marks which spelt out the corporate names of Astro and CNA, the differences between the two marks are not insignificant and are therefore not identical but similar (because of the red-coloured prominent triangular "A" device). The registrar further found that the two marks were similar visually and conceptually. In addition, the registrar also found that there was similarity in respect of the Class 35 services specified by both parties, especially in services relating to normal commercial activities that businesses engage in, namely, the provision and preparation of business, commerce and marketing information, production or publication of publicity texts, to which the Court agreed.

The registrar relied heavily on the fact that the CNA Mark was often co-branded with the MEDIACORP NEWS mark and the CHANNELNEWS ASIA mark to determine that the average consumer would not be confused into thinking that the CNA Mark originated from Astro. The registrar disagreed with the PAR in this regard and was of the view that the registrar had erred in applying the wrong test in determining the likelihood of confusion. The registrar clarified that the present case was in relation to Class 35 services, and thus the issues should be seen in context to Class 35 services of MediaCorp and Astro. The registrar further explained that the services provided under Class 35 by MediaCorp and Astro were targeted at businesses and retailers and not ordinary or retail consumers. As such, given the distinctive differences between the Two Marks, the registrar was of the view that businesses are discerning in making their choices and thus would unlikely to be misled or confused by the Two Marks. The registrar held that it is unlikely an average sensible consumer would be confused by the Two Marks and hence dismissed MediaCorp's claim in respect of section 8(2).

Connection, confusion and damage to interests

MediaCorp submitted that the registration of the Astro Mark ought to be prohibited under section 8(3) Trade Marks Act. The main issues for determination are:

(a) Whether the CNA Mark is well-known in Singapore;

(b) If so, whether use of the Astro Mark in relation to the goods and services for which it is sought to be registered would indicate a connection between those goods and services and MediaCorp

(c) If so, whether there exists a likelihood of confusion on the part of the public because of such use; and

(d) If so, whether MediaCorp's interests are likely to be damaged by such use.

By providing evidence of the penetration of CNA into the Singapore market (by use of viewership statistics and significant advertising and promotional marketing), MediaCorp had sufficiently established that the CNA Mark is well-known in Singapore. However, on whether the use of the Astro Mark would indicate a "connection" between the Astro goods and services and MediaCorp, the registrar held that the degree of similarity in the context of the intended consumers of the goods or services are such that a connection would not be indicated. The registrar thus dismissed MediaCorp's appeal.

Mitac International Corp v Singapore Telecommunications Ltd and Anor [2009] SGHC 137

The Plaintiff is Mitac International Corp, a Taiwanese company who owns trade mark registrations in Singapore for "Mio" and "Mio Digi Walker" in Class 9 ("the Plaintiff's Marks"). The Defendant is Singapore Telecommunications Ltd, a telecommunications group in Singapore, who registered the "mio Box", "mio Voice", "mio TV", "mio Plan" and "mio Home" trade marks in Singapore ("the Defendant's Marks").

The Defendant had used the Defendant's Marks in advertisements and commercials exhibiting various pieces of computer equipment to market services under the umbrella term "Generation mio". No goods were sold by the Defendant under the Defendant's Marks save for its modems, namely, the "mio Box" and the "mio TV" set-top box.

The Plaintiff commenced an action against the Defendant for infringement of the Plaintiff's Marks under sections 8(1) and (2) Trade Marks Act and had also sought to invalidate some of the Defendant's Marks. Both actions were consolidated and heard together in the High Court.

Trade mark infringement

The Plaintiff's claim under trade mark infringement was dismissed by the High Court. Notwithstanding that both parties' marks included the element "mio", the High Court took the view that the test for identity of marks is a strict one.

Both marks must be visually and aurally identical. While the marks in question were aurally similar, they differed visually. In fact, both parties' marks were not even similar, taking into consideration the script, font, size and alignment of the marks.

The Court noted that the Defendant's Marks were used only in relation to the "mio Box" and "mio TV" set-top box and were not used in relation to goods such as mobile phones, telephones or televisions. As for the use of the Defendant's Marks in relation to the Defendant's advertisements and commercials, although the goods had appeared therein, the Court held that these were clearly aimed at marketing the Defendant's services under the umbrella of "Generation mio".

Hence, the issue of likelihood of confusion only arose in respect of the "mio Box" and the "mio TV" set-up box. The Court confirmed the position that the test for infringement is likely, and not actual, confusion. However, it was held that there was no likelihood of confusion as (a) there was no evidence that "mio" had become distinctive of the Plaintiff; (b) the Defendant had established itself as a well-known telecommunications service provider with "mio" being used as a sub-brand; (c) the Defendant's "mio Box" could only be obtained from its stores and the "mio TV" set-top box was not available for sale; (d) the parties' customers would be different; and (e) the process of subscribing, installing and maintaining the Defendant's "mio" services made it impossible for confusion to arise.

Invalidation

The Plaintiff's claim under section 31(5) Trade Marks Act also failed. In light that the marks complained of were neither identical nor similar to the Plaintiff's Trade Marks, and hence could not so nearly resemble the Plaintiff's Trade Marks as to be calculated to deceive.under appeal.

Chong Peter v Triple 8 Enterprise Pte Ltd [2010] SGHC 9

The Plaintiff is a partnership in the business of operating karaoke pubs. In late 2005, it began operations as a small pub in a location in a fairly disreputable area in Singapore under the name "神話 Myths KTV DISCO PUB". The Defendant is a sole proprietorship which began operating a large, upscale karaoke night club in Orchard Road, one of the most expensive real estate areas in the world, under the sign "Mirage 神話 Palace Exclusive Niteclub". The Plaintiff and the Defendant became aware of each other's existence and business presence in late January 2007. The Defendant attempted to register a trade mark for "Mirage 神話 Palace Exclusive Niteclub" in February 2007 but eventually abandoned the application. The Plaintiff however proceeded to apply for and registered the name "神话" KTV and DISCO PUB"" in March 2007, in Class 41 for inter alia karaoke, discotheque and entertainment services. Some 2 years later, the plaintiff issued a letter of demand to the defendant to allege trade mark infringement. Notably, although the Plaintiff's trade mark "神话 KTV and DISCO PUB" was registered with the simplified Chinese character for "Hua", the actual name/sign used by the Plaintiff in practice in its business employs the traditional

Trade Mark Infringement

The Plaintiff argued that the Defendant was liable under s 27(1) Trade Marks Act for trade mark infringement. The first issue for the Court was whether the Defendant's business sign "Mirage 神話 Palace Exclusive Niteclub" was "identical" to the Plaintiff's trade mark. Since the defendant's sign was highly stylized motif, the Court found that the sign was not identical to the registered mark. The court then proceeded to consider whether the defendant remains liable for trade mark infringement because the sign whilst not identical, should be regarded as being similar to the Plaintiff's mark.

The court found that in assessing the degree of similarity between marks concerned, it has to make an assessment of three aspects of similarity, namely, visual, aural and conceptual similarities, and evaluate the importance to be attached to these different elements, having regard to the goods or services in question. The assessment is made from the perspective of the average consumer of the goods or services in question who is deemed to be reasonably well-informed, observant and circumspect. This approach on assessment was laid down in *The Polo/Lauren Co, LP v Shop in Department Store Pte Ltd [2005] 4 SLR 816* and *Caterpillar Inc v Ong Eng Peng (formerly t/a Catplus International) [2006] 2 SLR 669.*

The Court was of the view the visual and conceptual differences between the Plaintiff's mark and the Defendant's business sign were obvious and plentiful. The court opined that the Plaintiff's mark consist of a handwritten notation, without any characteristic or distinguishing graphical representation. On the other hand, the defendant's sign involves the use of stylized lettering, borders and graphics in an "intricate arabesque rhombus design".

However, as regards aural similarity, the court agreed there was clearly a case of prima facie aural similarity and held that to the mandarin-speaking public in Singapore, the respective clientele of both the plaintiff and the defendant's establishments referred to either establishment by the phonetics "Shen Hua" as an abbreviation of the full names of the establishments.

Nonetheless, the court went on to find that whilst there was a common aural denominator, that had little effect and was negligible because a prospective client will have no misgivings as to whether he was at the right establishment or not, given the respective locality of the establishments, the profile of the respective clientele and the differences in terms of quality and standards of the respective services provided, meant that the plaintiff's claim of confusion was speculative.

Passing Off

The Court similarly dismissed the Plaintiff's claim of passing off, holding that the requirements for a passing off action were not established. The Court noted that the plaintiff had not established that it had acquired goodwill in the goods or services provided by it, noting that "mere sales without more" are not necessarily synonymous with protectible goodwill. Goodwill is "the attractive force which brings in custom" and merely showing custom or profits alone is insufficient.

Not surprisingly, the court also found that the plaintiff could not prove that the defendant had made a misrepresentation to the public that would mislead the relevant segment of the public into the belief that the provided by the defendant were those of the plaintiff. The court opined that an ordinary, sensible member of the public would not believe that a upscale establishment in a prime retail district would represent itself as an affiliate of the plaintiff's establishment. Further, given the limited similarities between the defendant's sign and the plaintiff's mark, there was no basis to find any misrepresentation. Indeed, the court remarked that the defendant's goodwill could be diluted or tarnished as a result of any association with the plaintiff.

Mobil Petroleum Co, Inc v Hyundai Mobis [2009] SGCA 38, [2010] 1 SLR 512

Mobil Petroleum Co, Inc. ("Mobil"), is the proprietor of the MOBIL trademark and MOBIL derivative trade marks in Singapore and elsewhere and is largely engaged in the oil and oil lubricant business. Most of the registered trade marks belonging to Mobil are in Class 4 of the Nice Classification.

Hyundai Mobis ("Hyundai Mobis") is engaged in the business of designing and manufacturing automotive parts which can be used for various brands of automobiles and had applied to register its MOBIS trade mark in Class 12. Mobil opposed the registration of the mark on grounds that the MOBIS trade mark is similar to Mobil's registered trade mark MOBIL and could give rise to confusion. The trade marks of the respective parties are represented below:

Mobil	MOBIS
Mobil's trade mark	Hyundai Mobis' trade mark

Mobil had been unsuccessful in its opposition to the registration of the MOBIS trade mark at first instance and had appealed against the decision of the Principal Assistant Registrar allowing the MOBIS trade mark to proceed to registration. In the appeal before a High Court Judge, Mobil's appeal was dismissed and the decision of the Principal Assistant Registrar was upheld. Mobil filed a further appeal to the Court of Appeal.

At the material time, Mobil does not have an earlier trade mark registration in Class 12 for its MOBIL trade mark. Therefore, in the appeal to the Court of Appeal, Mobil limited its grounds of opposition to section 8(3) of the Trade Marks Act which allows the owner of a well-known mark to rely on its trade mark to prevent the registration of a similar or identical mark in respect of dissimilar goods as long as certain conditions are met.

Connection, confusion and damage to interests

At the appeal, the fact that the MOBIL and MOBIS trade marks are similar and that the goods covered by the MOBIS trade mark application are dissimilar to those covered by the MOBIL trade mark were not disputed. Since it was also not disputed by Hyundai Mobis that the MOBIL trade mark is a well known trade mark in Singapore, the main issue to be decided by the Court of Appeal was whether the use of the MOBIS mark would indicate a connection between the Hyundai Mobis' goods and Mobil and whether it would give rise to the likelihood of confusion and a likelihood of damage to Mobil's interests within the meaning of section 8(3) Trade Marks Act.

Before considering the requirements under section 8(3) Trade Marks Act, the Court of Appeal considered the interaction between the common law of passing off and the protection that is accorded to well known marks under the Trade Marks Act. The Court of Appeal cautioned against applying the tests derived from the law of passing off to the law relating to well known marks since the law of passing off requires a trade mark to possess goodwill in the territory whereas the law relating to well known marks has dispensed with such a requirement. That being said, the Court of Appeal acknowledged that there are many similarities between the two regimes since the law relating to well known marks were enacted to supplement the protection already accorded to well known trade marks under the common law of passing off. Therefore, the Court of Appeal stated that there should be a level of commensurability between the two regimes.

On the issue of "connection", the Court of Appeal held that a mere association or recollection would be insufficient; it is necessary to show an existing relationship between the goods covered by the opposed mark and the proprietor of the well known mark. The Court of Appeal cautioned against speculating that the proprietor of the well known mark expand into the applicant's fields of business to suggest that a connection exists.

On the issue of "confusion", the Court of Appeal noted that they are to take into account all relevant factors and apply the "global confusion test". Further, the Court of Appeal reminded us that confusion is to be assessed from the viewpoint of a substantial portion of the public or from the viewpoint of an ordinary individual of average intellect and care. Accepting that the trade channels of both Mobil and Hyundai Mobis are different, that consumers would be slow to connect MOBIS vehicle parts with Mobil since Mobil, despite having been in business for many years in Singapore, had not ventured into the business of providing or selling vehicle accessories/parts and that motorists are unlikely to purchase vehicle parts on the spur of the moment, the Court of Appeal found that the chances of the public being confused and deceived were quite remote.

Finally, on the issue of "damage", the Court of Appeal distinguished between the requirement to show "damage" under the law of passing off and the law relating to well known trade marks. In the former, damage is in respect of the goodwill in the trade mark while in the later instance, it is sufficient to show that the interests of the proprietor is likely to be damaged. For the purposes of section 8(3) Trade Marks Act, the damage to the proprietor's interests must stem from the perceived connection between the goods of the applicant and the proprietor of the well known mark and the fact of confusion arising on the part of the public. Possible heads of damage include the restriction to the possible expansion of use of the well known mark by the proprietor if the opposed mark is allowed to proceed to registration and the risk of litigation. The Court of Appeal found, as there is little evidence that Mobil may expand into the business of producing and selling automotive parts and that the registration of the MOBIS trade mark would expose Mobil to the risk of litigation, that Mobil had failed to show that its interests are likely to be damaged.

In light of the foregoing, the Court of Appeal dismissed Mobil's appeal and held that the MOBIS mark should be allowed to proceed to registration.

CASE NOTE - PATENTS

Muhlbauer AG v Manufacturing Integration Technology Ltd [2010] SGCA 6

The Appellant was a German company with a registered Singapore Patent No. 117982 in Singapore. The patent described a machine for inspecting, picking up and placing electronic components onto printed circuit boards or tape and reel packaging, with 10 claims attributed to the patent.

In the Court below, the Respondent acknowledged that its machine infringed all ten claims of the Patent. In its counterclaim, however, the Respondent contended that the Patent lacked novelty as well as any inventive step vis-à-vis the state of the art and should therefore be found to be invalid.

After considering the evidence on both sides, particularly the testimony of two opposing expert witnesses, the trial judge found that the crux of the inventive concept in the Patent - the carrying out of vision inspection concurrently during the rotation of two pick up heads and via the through opening between the pick up heads - was already disclosed in and anticipated by the prior art. He further observed that what the Appellant had succeeded in inventing was in fact only a more efficient utilisation of two pick up heads, and not anything novel. Accordingly, he concluded that the Patent was not novel or inventive and therefore invalid.

The appeal was allowed by the Court of Appeal and the patent held to be valid. In reaching its decision, the Court of Appeal made the general observation that ultimately, it was the Court which decided whether or not the requisite legal criteria in a patent case had been satisfied, not the expert witnesses. This was not an unimportant practical point, simply because many experts would not themselves fall within the category of a hypothetical person "skilled in the art" as they would possess extraordinary knowledge as well as expertise.

Novelty

The Court cautioned against over-generalising and pitching the inventive concept of a patent at too high a level of abstraction. Adopting "inspection on the fly" as the defining inventive concept of the Patent would constitute far too broad an approach. Simply because two (or more) inventions shared the broad categorisation of "inspection on the fly" did not mean that they could not be novel if the specific method adopted justified the invention concerned

being considered novel. To illustrate this point, the Court of Appeal cited the example of the ubiquitous television, which inventive concept might be summarised as “a viewable screen for the projection of moving images”. However, liquid crystal display (“LCD”) and plasma technology have separately attained this end through starkly contrasting processes. LCD screens are, in layperson’s terms, sandwiches made up of liquid crystal pushed into the space between two glass plates. Images are created by varying the amount of electrical charge applied to the crystals. Plasma screens, on the other hand, utilise a matrix of tiny gas plasma cells charged by precise electrical voltages to create a picture. Both technologies have their own separate patents, similar end results notwithstanding.

Adopting a lower level of abstraction in defining the inventive concept of the patent, the Court of Appeal found that the true inventive concept which the Patent embodied was the concurrent inspection of a wafer die through a pivoting part located between two pickup heads. This constituted a genuinely different (and specific) method of achieving the desired result of “inspection on the fly”. None of the prior art achieved the said result in the same manner.

Inventive Step

In determining whether the atent possessed an inventive step, the Court of Appeal clarified that it was permissible to construct a “mosaic” out of the various pieces of prior art in the inquiry for obviousness unless the act of “mosaicing” itself was not obvious to the notional skilled person. If, however, in order to arrive at the subject-matter of a claim, it was necessary to make a mosaic of extracts from documents published over a period of time, taking suggestions from one with suggestions from others independent of it, then there can be little doubt that the claim possessed inventive subject-matter.

The Court of Appeal further noted that the fact that the prior art “teaches that two heads may be employed” did not make it similar to (let alone the same as) the Patent. In fact, the prior art proceeded on the premise that the number of pickup heads had to be increased to improve throughput. In other words, the more pickup heads, the greater the productivity of the machine. In the circumstances, therefore, the patent had adopted an inventive step by choosing to go with two pickup heads – and two pickup heads only. Thus, two prejudices were overcome by the Appellant: the prejudice against the use of two heads, and the prejudice in favour of multiple heads.

Lastly, the Court noted that while commercial success, increased throughput and higher sales were arguably not conclusive as to matters of novelty and obviousness, these facts did function in some measure, not least by way of confirmatory evidence of the novelty and obviousness of the patent.

ASM Assembly Automation Ltd v Aurigin Technology Pte Ltd and Ors [2010] 1 SLR 1

The plaintiff company, ASM Assembly Automation Ltd (“ASM”), was the registered proprietor of Patent No 104354 which related to an apparatus and method for automatically placing an array of solder balls onto a substrate, such as a ball-grid array (“BGA”) substrate. The first defendant was Aurigin Technology Pte Ltd (“Aurigin”) and the second and third defendants were Mr

Lim Ee Teoh ("Mr Lim") and Mr Tam Wing Wah ("Mr Tam") respectively, who were Aurigin's directors who had directed, authorized, counseled or procured Aurigin's alleged infringement of the patent. Aurigin's alleged infringing product was an automated BGA solder ball placement machine which housed a key solder ball placement module based on the patented solder ball placement module design of ASM. The said module, known as the AU800, was patented in Singapore on 30 Apr 2007.

ASM sought (1) a declaration that its patent was valid and that the defendants' AU800 had infringed its various claims; (2) an injunction to restrain the defendants from infringing the patent; and (3) an inquiry as to damages or alternatively an account of profits made by Aurigin and its directors as a result of the alleged infringement of the patent. In response, Aurigin rejected ASM's claims and, inter alia, sought an order that the patent be revoked on grounds of lack of novelty and inventiveness, and an injunction to restrain ASM from threatening their customers with legal proceedings for infringing ASM's product.

Expert Witnesses

One of ASM's expert witnesses was a patent lawyer and a partner in the American intellectual property firm which was responsible for prosecuting ASM's United States patent. The High Court opined that the evidence given as a patent attorney would not be relevant to issues pertaining to the views of a person skilled in the art.

This case exemplifies the importance of a party's expert witnesses in the determination of the novelty and inventive step in a patent case. In accepting Aurigin's arguments that the Patent lacked novelty and inventive step, the Court relied heavily on the explanations by its expert witnesses although the Court clarified that what matters is not an expert's conclusion but the reasons for the conclusion. In contrast, ASM's expert witnesses could not coherently explain or justify the novelty and inventiveness of ASM's patent.

Groundless Threats

With regard to the issue of groundless threats, the Court found that ASM, by demanding through its solicitors, that Aurigin cease and desist from "making, disposing of, offering to dispose of, importing, or keeping whether for disposal or otherwise, as well as withdraw from circulation and sale of the infringing product" in order to avoid legal proceedings, had threatened Aurigin with legal proceedings within the meaning of s 77(1) Patents Act.

Aurigin was thus entitled to relief unless ASM was able to justify its threat. To do so, ASM first had to show that the acts in respect of which proceedings had been threatened constituted or would constitute an infringement of the patent. Secondly, the patent had to be shown not to be invalid. As regards the second condition, where the patent of the party making the threats was found to be invalid, its threats were unjustified and the aggrieved party was entitled to relief.

The Court noted that there was a divergence in the interpretation of the relevant sections of the UK Patents Act and the Singapore Patents Act due to the inclusion of section 70(2A) UK Patents Act. The present position in the UK meant that even if the patent of the party making the threats is shown to be invalid, that party may avoid liability for making the threats by showing that when the threats were made, he did not know, and had no reason to suspect, that the patent was invalid. However, as there had been no modification to section 77 of the Singapore Patents Act, the Singapore position for groundless threats remained one of strict liability, as illustrated in the case of *Demel v Jefferson*, which preceded the 2005 amendments to the UK Patents Act.

CASE NOTE - ASSESSMENT OF DAMAGES

Fish & Co Restaurants Pte Ltd v MFM Restaurants Pte Ltd and Anor [2009] SGHC 270

This case arose from the Assistant Registrar's assessment of damages in relation to a consent judgement.

The plaintiff owns a chain of seafood restaurants called "Fish & Co". The first defendant owns a competing chain of restaurants called "The Manhattan Fish Market". The second defendant, Low Theng Yong Dickson ("Dickson") was the former operations manager of the plaintiff until his resignation. The plaintiff had sued against Dickson for taking, using and divulging confidential information concerning food recipes, cooking tips and methods and kitchen operations unique to Fish & Co, in breach of the non-competition clause in his contract of employment.

The action was discontinued after the dispute was settled. MFM and three Malaysian companies agreed to be parties to the settlement even though they were not named as defendants in the action. The terms of the settlement were recorded in a Settlement Deed. Five months after the deed was signed, the plaintiff filed a frsh action against MFM and Dickson for breach of the deed, which prohibited the defendants from using serving pans identical and any slogans/jingles identical to or confusingly similar to that used by the plaintiffs, as well as to from using a garlic lemon butter sauce identical to the plaintiff's.

Assessed Damages

The plaintiff's expert was a forensic accountant. He worked out two alternative methods to compute damages. One method was based on the revenue that the plaintiff would have made but for the defendant's breach. The other method was to compute the plaintiff's loss of profit utilizing MFM's sales figures, based on the premise that part of the latter's sales were as a result of the breach. The Assistant Registrar adopted the first method but varied the original parameters of Method A to confine the damages to only one outlet (as opposed to 3 other outlets).

The plaintiff disputed with the variation adopted by the Assistant Registrar and appealed to the High Court. The plaintiff argued that the defendants' breach of the deed had caused confusion that resulted in the plaintiff's customers going to the MFM because the customers thought that they were going to the plaintiff's restaurant, that the intention of the clause that was breached was to create differentiation between the Fish & Co. restaurants and those operated by MFM and that during the period of the breach, the defendants gained an unfair advantage which allowed them to get into the seafood restaurant business from a more advantageous position.

Accordingly, the plaintiff submitted that the proportion of its loss of profits attributable to the defendant's breach should be at least 80%. The defendant submits that the plaintiff is entitled to, at best, only nominal damages or that 60% figure adopted by the Asst. Registrar should be reduced to 5-10%. The defendant also submitted that the Assistant Registrar had erred in awarding damaged "akin to passing-off" when the original claim was for breach of the deed.

The High Court agreed with the defendant in that the Asst Registrar had erred in conflating legal principles with regards to awarding damages. The Court explained that a passing-off action can lie without proof of damage. For a contract claim, the plaintiff must prove its claim for damages, unlike a passing off action where inferences of damage can be presumed to have taken place. The Court found that the principles for assessing damages in breach of contract cases are no different from the principles for assessing damages in breach of confidence cases. The Court held that the damages for breach of contract should be assessed based on the amount needed to compensate the plaintiff for the loss of the contractual bargain. The Court also clarified that in awarding compensatory damages, the Court has to be satisfied on a balance of probabilities that the particular loss as proved is causally connected to or linked to the breach of contract.

The Court found the following:

(a) It is a significant fact that four undertakings in the deed were closely related to the business operations of the plaintiff. Given the circumstances of this case, the loss of business is the best evidence of loss.

(b) The breach continued for 18 months, despite the plaintiff's demands that the defendants desist. The defendants had done the very thing they had contracted not to do. The breach constituted a flagrant contravention of the defendants' undertakings with a view to their own financial gain or reward.

(c) MFM's performance as a new entrant in the Singapore market was exceedingly good.

(d) There was no lowering or "eating away" of the plaintiff's profit by opening of outlets of the same chain of restaurants in close proximity to each other.

(e) The number of restaurants affected could not be as many as four. The Court agreed with the Assistant Registrar below that only one outlet was affected, which was the one closest to MFM outlet's in the same vicinity. In any case, MFM's arrival had a negative impact on the plaintiff's outlet.

(f) The plaintiff's claim for loss of custom would in the ordinary course of things be of the type and kind which the defendants would expect as not unlikely if the undertakings in the Deed were not observed and complied with. The defendants ought reasonably to have contemplated as the likely consequences of the breach at the time they made the Deed that they would have to pay damages and costs if the undertakings were breached.

Therefore, the Court held that on a balance of probabilities, the plaintiff had sufficiently established by inference its loss in terms of loss of custom during the breach period and the causal link between the breach of the Deed and the loss of custom.

The Court found that the alternative method of the plaintiff's expert was the most appropriate means to assess damages. The is because this method endeavored to recover the plaintiff's lost profits from the first defendant's actual sales on the basis that it would have been what the plaintiff would have earned but for the defendant's breach.

The Court found that the loss of profit ought to be based on 16% of MFM's sales during the period of about $230,600. The Court opined that the approach adopted is a rational basis for assessing loss profits for it will alleviate the speculative element. To award a higher percentage of sales would introduce the influence of factors other than the breach that has a bearing on the loss of profits.

For post-breach losses, the Court held that the recovery of such losses is to be resolved through the principles of causation and remoteness. The Court agreed with the Asst. Registrar that the defendant's cessation of the breach did not necessarily mean the end of losses suffered by the plaintiff – rather, there would be a gradual trailing off of the effect of the breach. However, the Court highlighted that it would be difficult to say evidentially how long and to what extent customers will continue to patronize MFM's outlets after the defendants had begun using the offending sauces. The Court held that an additional 6 months of damages based on loss of profits on 16% of MFM's sales was reasonable compensation for the trailing effect of the breach. The total amount of damages assessed as recoverable under both heads of damages came up to $269,000.

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