

CASE NOTE – TRADE MARKS

Ceramiche Caesar SpA v Caesarstone Sdot-Yam Ltd [2017] SGCA 30

Appellant's Mark

• CAESAR •

Respondent's Mark

 caesarstone

The Respondent/Applicant is a manufacturer of quartz and stone products and sought to register its mark. The Appellant/Opponent Ceramiche Caesar SpA, a manufacturer of porcelain stoneware tiles.

The Appellant opposed the Respondent's application on the basis that it was confusingly similar with the Appellant's Mark and that the Appellant's Mark should be protected as a well-known trade mark.

The Trade Marks Registry allowed the opposition under both grounds and the Respondent appealed to the High Court. The High Court reversed the findings below and allowed the Respondent's Mark to be registered. The Appellant subsequently appealed to the Court of Appeal and succeeded in its opposition under the ground of confusing similarity. This case marks an important development in Singapore trade mark jurisprudence because the Court of Appeal had to consider a number of novel questions.

First, the Appellant, relying on the earlier Court of Appeal decision in *Future Enterprises Pte Ltd v McDonald's Corp* [2007] 2 SLR(R)

845 (*Future Enterprises*), argued that there must be a material error of fact or law in the Registry's decision before an appellate court could interfere. Prior to the Court of Appeal decision in *Caesarstone*, there had been substantial judicial uncertainty as to the correctness of *Future Enterprises*. The Court found that *Future Enterprises* was wrong on this point because (i) it did not consider the relevant statutory provision which expressly stated that an appeal to the court from a decision of the registrar "shall be by way of rehearing" and (ii) trade mark opposition proceedings do not involve the exercise of a *discretion* but rather, they involve questions of *legal correctness and entitlement*. Accordingly, the Court held that there is no threshold requirement for a "material error of fact or law" to be shown before appellate intervention is warranted in appeals from the Registry. Moving forward, we expect appeals from the Registry to the High Court to be a more regular occurrence.

Secondly, in relation to the likelihood of confusion inquiry, the following question arose: if consumers of tiles are likely to be indifferent towards the mark used in relation to the goods, but tend to make their purchasing

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decisions based on the price and other attributes of these goods (e.g. scratch-resistance), does the question of a likelihood of confusion even arise in the first place?

The Court of Appeal agreed with the Appellant and held that consumer indifference would cause consumers to pay less attention to the differences between the marks, thereby pointing towards a likelihood of confusion. It was on this basis that the Court was ultimately able to conclude that the two marks were confusingly similar. The broader implication of this holding is that there are now certain

types of goods/services which enjoy greater trade mark protections because of consumer indifference to the marks used.

Comment

The scope of this expanded protection will have to be clarified in future cases but we expect it to revolve around goods/services wherein consumers do not have to use the marks as proxies for quality e.g. because they can assess quality on their own or with expert advice.

Our Melvin Pang and Nicholas Ong represented the successful Appellant.

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CASE NOTE – COPYRIGHT

Global Yellow Pages Ltd v Promedia Directories Pte Ltd [2017] SGCA 28

A copyright battle between two competing publishers of telephone directories has concluded with the Court of Appeal pronouncing on the nature of factual compilation copyright in Singapore for the first time.

Global Yellow Pages Limited (“GYP”) produces print directories, such as the Business Listings, Yellow Pages Business and Yellow Pages Consumer, as well as an online telephone directory. GYP claimed that copyright in several of its directories had been infringed by the defendant, Promedia Directories Pte Ltd (“Promedia”), and commenced proceedings in the high Court. The High Court dismissed the claim for copyright infringement and GYP

appealed to the Court of Appeal.

In determining whether a compilation was original, Court of Appeal explicitly rejected the “sweat of the brow” doctrine in favour of the “creativity” doctrine, conclusively bringing Singapore in line with decisions by the Australian and English courts. For copyright to subsist in any literary work, there must be an authorial creation that is causally connected with the engagement of the human intellect. Applied to compilation works, what this means is that the compiler must have exercised sufficient creativity in selecting or arranging the material within the compilation. The resulting copyright will only protect the original



expression in the form of the selection or arrangement of the material.

The Court of Appeal largely upheld the High Court's decision and found no requisite intellectual effort in creating GYP's individual directory listings and classifications, the selection or arrangement of the listings within each classification, or in the seeds (individually or in totality as a compilation). The Court found that what Promedia had taken was mainly bare facts and data, which are not copyright protectable.

However, departing from the decision below, the Court of Appeal did find copyright protection (albeit "extremely thin") in the arrangement of listings in GYP's Business Listings. The sorting rules deployed by GYP to arrange the listings, taken in their entirety, were neither entirely obvious nor inevitable. In particular, unlike mere alphabetical arrangement, the sorting rule that *"names beginning with numerals are listed immediately in front of entries bearing the first letter of the alphabet of the first digit"* was held to require just enough intellectual effort to meet the threshold. However, infringement would only be established by nothing less than near-wholesale taking of the listings, arranged exactly as they were in the Business Directory.

The High Court's finding that none of Promedia's directories infringe any copyright in GYP's directories was not seriously disputed on appeal, and upheld by the Court of Appeal. However, Promedia argued that the High Court had erred by finding that the temporary database was covered within the definition of infringing

works by GYP as pleaded.

The Court of Appeal accepted Promedia's argument, and further held that even if the temporary database was included, Promedia's scanning or photocopying of listings in the Business Directory fell under the defence of fair dealing. Here, the purpose of Promedia's dealing was to access the factual data that was contained in the listings, an *"internal exercise that is at best characterised as being incidental to commercial research"*. It had nothing to do with the use of the particular arrangement of that data, which is what attracted copyright protection. More importantly, as explained above, the works GYP sought to protect were largely fact-based and carried very thin copyright protection. Altogether, these factors contributed towards a finding of fair dealing. Accordingly, there was no copyright infringement.

Lastly, the Court of Appeal also reversed the High Court's decision in finding GYP liable in groundless threats of copyright infringement. The two letters of demand sent by GYP were neither unwarranted nor meant to obstruct Promedia's legitimate activities. Further, the Court of Appeal clarified that "clear binding authority" was merely sufficient – not necessary – for a threat to be justifiable.

Comment

The decision is a welcome piece of jurisprudence in the law relating to compilation works, particularly given the information collected and databases created and the value of such databases in today's online and social media space.



CASE NOTE – TRADEMARKS

Samsonite IP Holdings Sarl v An Sheng Trading Pte Ltd [2017] SGHC 18

Parallel imports are genuine goods put on the market by the trade mark proprietor in one country, subsequently exported to another country for resale by a third party. They are sold in parallel to goods sold directly by the trade mark proprietor, often at a lower price.

In Singapore, Section 29 Trade Marks Act (“TMA”) exemplifies the principle of international exhaustion of rights and prevents trade mark proprietors from preventing parallel importers where the goods are “...put on the market, whether in Singapore or outside Singapore, under that trade mark by the proprietor of the registered trade mark or with his express or implied consent (conditional or otherwise)”.

However, in a recent decision, a trade mark proprietor was able to assert its rights against a parallel importer, albeit on a very specific factual matrix. The High Court judgment also provided some clarity as to what it means to be “put on the market”, and the concept of express or implied consent.

Samsonite had commenced trade mark infringement proceedings against An Sheng Trading Pte Ltd (“AST”) for importing 2,328 backpacks bearing Samsonite’s trade marks into Singapore.

The backpacks in question were manufactured by Samsonite’s Chinese subsidiary, specifically for a co-branding program with Lenovo, the PC maker. Under the agreement with Lenovo, the co-branded backpacks would feature both Samsonite and Lenovo’s trade marks, and would be given away with the sale of certain models of Lenovo laptops exclusively in China. Samsonite and its subsidiary did not receive any direct remuneration from this sale. Also, Lenovo, its retailers and distributors were prohibited from selling the co-branded backpacks independently.

However, some dealers unbundled the backpacks and disposed of them to unauthorised dealers which subsequently sold the backpacks to AST.

Upon finding prima facie infringing use by AST of Samsonite’s trade marks in relation to the backpacks, the High Court went on to consider the “exhaustion of rights” defence raised by AST. Two key issues were identified as follows:

- (i) Whether the goods were “put on the market”; and
- (ii) If the goods were “put on the market”, whether this was done by (a) the trade mark proprietor, or (b) with his express or implied consent (conditional or otherwise)



Whether the goods were “put on the market”

The Court found that for goods to be “put on the market”, an independent third party must have acquired the right of disposal of the goods bearing the trade mark, allow the trade mark proprietor to realize the commercial or economic value of the goods, while also depriving him of the right to control the subsequent exploitation of the goods. This would include a sale of the goods by the proprietor to the third party, but not preparatory acts such as offers for sale.

In this case, the backpacks had never been “put on the market”. The economic value Samsonite sought to realise was to penetrate the Chinese consumer market, and to boost Samsonite’s reputation by being associated with Lenovo laptops. However, there was no such realisation of economic value as (i) the backpacks were unbundled and sold individually without accompanying Lenovo laptops, and (ii) no profits received through their sales to or by unauthorised dealers were passed on to Samsonite as trade mark proprietor or its Chinese subsidiary.

If the goods were “put on the market”, whether this was done by (a) the trade mark proprietor, or (b) with his express or implied consent (conditional or otherwise)

Although there was no need to address this issue, the High Court went on to address the issue of consent. It defined express consent as permission for something that is explicitly, clearly and unmistakably given, either verbally, in writing or by clear conduct. As for implied consent, that will be consent not expressly granted by the proprietor, but inferred from his actions and/or the facts and circumstances of a particular situation.

Further, even if a proprietor’s consent is conditional and not unqualified, it will still be treated as valid consent under Section 29. On the facts, Samsonite only consented to their manufacture and subsequent sale accompanying Lenovo laptops in China; it had not given consent for the backpacks to be sold unbundled.

Comment

The guidance on what constitutes putting of goods on the market will provide some clarity to brand owners, especially those operating in different jurisdictions with product differentiations, on the remedies possibly available to them to restrict grey market goods.



CASE NOTE – TRADEMARKS

Societe Des Produits Nestlé SA v Petra Foods Limited [2017] 1 SLR 35

A highly-publicised trademark dispute involving the familiar KIT KAT chocolate wafer finally came to a close as the Court of Appeal issued its decision and clarified issues regarding the registrability and enforcement of shape marks under Trade Marks Act (Cap. 332) (“TMA”).

The Appellants (“Nestlé”) are part of the Nestlé group of companies, and distribute chocolate-covered wafer products under the **KIT KAT** mark. One of the appellants, Societe Des Produits Nestlé SA, is the registered proprietor of the two-finger mark and the four-finger mark (collectively, the “**Registered Shapes**”) as follows:

The Two-Finger Mark

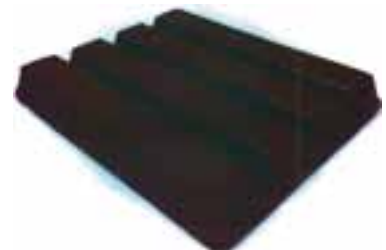


The Four-Finger Mark



The Respondents (“Petra”) belong to the Petra Foods group of companies. Petra imports and distributes chocolate wafers and biscuits,

including a product line consisting of two-finger and four-finger Take-It products as follows:



Nestlé had commenced proceedings against Petra for, inter alia, trade mark infringement of its Two-Finger Mark and Four-Finger Mark. The High Court had dismissed their action and invalidated the registration of the Registered Shapes. Nestlé filed an appeal against the decision.

The issues that fell to be determined by the Court of Appeal are summarised as follows:

- (i) Whether the Registered Shapes had inherent or acquired distinctiveness (s 7(1)(b) TMA);
- (ii) Whether the Registered Shapes consist exclusively of the shape of goods necessary to obtain a technical result (s 7(3)(b) TMA);
- (iii) Whether the registration of the Registered Shapes should be revoked for non-use (s 22 TMA); and
- (iv) Whether the Registered Shapes should be protected as well known trade marks (s 55 TMA)

In a reserved judgement, the Court of Appeal reaffirmed the decision of the High Court on all grounds, and held as follows:

- (i) The Registered Shapes were devoid of inherent or acquired distinctiveness (s 7(1)(b) TMA);
- (ii) The Registered Shapes consisted exclusively of the shape of goods necessary to obtain a technical result (s 7(3)(b) TMA);
- (iii) The Registered Shapes were

liable to be revoked for non-use for lack of genuine use of the Registered Shapes as trade marks (s 22 TMA); and

- (iv) The Registered Shapes are unregistrable under s 7 TMA, and cannot be protected as well known trade marks (s 55 TMA)

Issue 1: Whether the Registered Shapes had inherent or acquired distinctiveness

No inherent distinctiveness

The Court of Appeal outlined general principles in determining inherent distinctiveness of a mark. First, the average consumer must appreciate the trade mark significance of the mark in question without being educated that it is used for that purpose. Secondly, the appearance of the mark must in itself convey trade mark significance – it is insufficient for the mark to consist of a shape which is unusual, new or visually distinctive.

Applying these principles, the Court of Appeal held that the Registered Shapes were not inherently distinctive. It found no evidence that the average consumer appreciates that the Registered Shapes convey trade mark significance, or that traders in the chocolate confectionery sector differentiate their products by varying the shapes of their products.

No acquired distinctiveness

A distinction is drawn between mere association or recognition of a shape with a particular trader, as opposed



to reliance upon that shape as a badge of origin. Mere association arising from familiarity of the shape is insufficient to demonstrate acquired distinctiveness; what must be shown is that trader and consumers of the product regard the shape in question as a badge and guarantee of origin, i.e. a trade mark.

The Court of Appeal further observed that trade mark law does not function to completely shut out signs which are not capable of being immediately perceived by the consumer at the point of sale. Also, a two-dimensional representation of a three-dimensional shape mark on product packaging and other relevant marketing materials may facilitate awareness of the three-dimensional shape mark, where such representation enables its essential elements to be perceived.

However, the market surveys conducted by Nestlé in support of its argument for acquired distinctiveness were found to be fraught with issues. At best, they only showed that the average consumer associates the Registered Shapes with Kit Kat and/or Nestlé, or recognises these shapes as being similar to the shape of the Kit Kat bar. It failed to show that the average consumer regarded the Registered Shapes (in the absence of other marks) as a guarantee that chocolate bars bearing these shapes came from the appellants, or at least from the same source as that which produced Kit Kat products. Other problems identified by the High Court with the survey methodology, and affirmed by

the Court of Appeal include problems of leading questions and improperly-defined category of respondents.

Hence, the Registered Shapes were found to be devoid of inherent or acquired distinctiveness under section 7(1)(b) TMA.

Issue 2: Whether the Registered Shapes consist exclusively of the shape of goods necessary to obtain a technical result

Section 7(3)(b) TMA prohibits registration of a sign as a trademark if it consists exclusively of the shape of goods which is necessary to obtain a technical result. In determining whether a shape mark is caught by the “technical result” prohibition, a two-stage test is applied.

First, to identify the essential characteristics of the shape mark in question from the perspective of the average consumer. Secondly, to ascertain whether each and every one of the essential characteristics performs a technical function. This (unlike the first stage) may be undertaken with the assistance of technical evidence.

The Court of Appeal identified the essential characteristics of the Registered identified as the rectangular “slab”, the breaking grooves, and the number of grooves and fingers, and that each of these characteristics were necessary for a specific technical result. The rectangular slab was necessary for efficient manufacture to minimise



wastage; the breaking grooves for facilitating the breaking up of the chocolate bar, and the number of grooves and fingers to provide suitable portion sizes for satisfactory and convenient consumption.

The “technical result” prohibition is not merely confined to shapes whose essential features perform only a technical function. Even where a shape’s essential features perform some other functions (such as aesthetic functions), as long as the essential features are necessary to obtain a technical result, the shape would be caught by the “technical result” prohibition.

Further, the term “technical result” includes technical solutions embodied in the process of manufacturing the product to which the shape mark is applied, such that shapes whose essential features are necessary to obtain technical results relating to the manufacture of a final product should fall within the ambit of s 7(3)(b) TMA.

Issue 3: Whether the registration of the Registered Shapes should be revoked for non-use

On the evidence, the Court of Appeal found no genuine use of the Registered Shapes in the course of trade for the purposes of s 22(1)(a) and/or s 22(1)(b) of the TMA. At the point of sale of Kit Kat chocolate bars, the Registered Shapes were concealed in opaque packaging, and even when the bars were unwrapped for consumption, the word “Kit Kat” featured prominently. The Registered Shapes were never used on their own

even in advertising and promotional materials.

Issue 4: Whether the Registered Shapes should be protected as well known trade marks

As the Registered Shapes are unregistrable under s 7(1)(b) and s 7(3)(b) of the TMA (Issues 1 and 2 above), they do not constitute “unregistered trade mark[s]” for the purposes of the s 2(1) definition of a “well known trade mark”, and Nestlé’s claim for well-known trade mark protection fails.

Comment

This decision by the Court of Appeal largely mirrors the English High Court in the case of *Société Des Produits Nestlé SA v Cadbury UK Ltd* [2016] EWHC 50 (Ch) where Nestlé’s KIT KAT trademark was challenged by Cadbury. In that case (affirmed on appeal by the UK Court of Appeal recently), the English High Court also refused registration by Nestlé of the same trademarks because of lack of distinctiveness, inherent or acquired, in the shape of the KIT KAT bars. The court also found that Nestlé was unable to show that the relevant public relied on the shape alone to identify its trade origin. The shape was found to be necessary to obtain a technical result and hence precluded from trade mark registration, based on similar reasons as those found by the Singapore Court of Appeal and serves as a reminder to brand owners to emphasize the shapes of their shape trademarks in advertising and points of sale.



CASENOTE – PATENT

Lee Tat Cheng v Maka GPS Technologies Pte Ltd [2017] SGHC 48

This was a patent infringement action that concerned the plaintiff's patent for an automotive accident recordal system and a counterclaim by the defendant for the revocation of the patent and also groundless threats of infringement proceedings.

The Judge found that the patent was valid but the Defendant had not infringed the patent. The Plaintiff's claim was dismissed and went on to consider the counterclaim of groundless threats under section 77 Patents Act.

The Judge found that issuing cease and desist letters that demanded payment of costs and damages constituted threats of infringement proceedings and affirmed the principles found by the Court of Appeal in *Singsung Pte Ltd v LG Electronics Pte Ltd* [2016] 4 SLR 86. In that case, the Court had found that it was necessary to strike a balance between protecting intellectual property of and preventing bullying tactics by rights holders. Even where a claim for infringement fails, it does not always follow that relief for groundless threats will be granted. Rather, it is necessary to embark on an inquiry to ascertain whether the action was warranted and whether

any relief is to be ordered.

The Judge held that although the *Singsung* case involved copyright infringement, the same principles were broadly relevant but further opined that relief under the Copyright Act was discretionary whilst relief under the Patents Act was more proscriptive. Accordingly, the Judge took the view that the aggrieved defendant was entitled to be granted relief. On the facts, it declined to award any damages as the Defendant failed to show any damage arising from the issuance of the cease-and-desist letters which could not be compensated by a costs-award. Neither was a declaration that the threats were unjustified since a declaration of non-infringement was already ordered, but an injunction against the continuance of the threats was ordered.

Comment

The High Court's clarification on the nature of and powers under section 77 Patents Act will be useful to patent law practitioners since issuing a cease-and-desist letter is not an uncommon practice and sounds a note of caution to patentees.

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This newsletter is intended to provide general information only and should not be relied upon as an exhaustive or comprehensive statement of law. Should you have any specific questions, please speak with your usual contact at Amica Law LLC.

