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CASE NOTE – TRADE MARK INFRINGEMENT & PASSING OFF

Doctor's Associates Inc v Lim Eng Wah (trading as SUBWAY NICHE) [2012] SGHC 84

The plaintiff in this action was Doctor's Associates Inc, an American corporation which owns the popular sandwich chain, SUBWAY. The SUBWAY stores are best known for selling "submarine" sandwiches, primarily foot-long and 6-inch-long sandwiches made on freshly baked bread rolls with a choice of fillings. The defendant in this case was Lim Eng Wah, the owner of a chain of SUBWAY NICHE stalls, which primarily sold nonya kueh, bubble tea and other local snacks. The plaintiff claimed that the defendant had: (a) infringed its registered trade mark, SUBWAY, under the Trade Marks Act; and (b)passed off its SUBWAY mark through the use of his SUBWAY NICHE sign.

Trade Mark Infringement

The plaintiff claimed relief under sections 27(2)(b) and 27(3) of the Trade Marks Act, relying on its registrations for the word mark SUBWAY in relation to sandwiches and restaurant services (Classes 30 and 43). In response to section 27(2)(b), the defendant relied on the defence of prior use under section 28(2) of the Act.

Prakash J endorsed the 3-step approach to this section, set out in British Sugar plc v James Robertson & Sons Ltd [1996] RPC 281. The defendant would be liable for trade mark infringement if:

(1) The marks in question were similar;

(2) The marks were used in relation to similar goods;

(3) On account of (1) and (2) above, there existed a likelihood of confusion on the part of the public.

Similarity of Marks

Prakash J found that the SUBWAY and SUBWAY NICHE marks were similar, despite the addition of the word NICHE. She placed emphasis on the distinctiveness of the SUBWAY mark, noting that it had acquired distinctiveness by virtue of its widespread use, despite not being an invented word. As such, the addition of NICHE was insufficient to render the marks dissimilar – it would merely suggest an offshoot or upgrade of SUBWAY without altering the overall impression given by both marks.

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It is worth noting that the court approved of *Ozone Community Corp v Advance Magazine Publishers Inc* [2010] 2 SLR 459, which reformulated the court's approach to similarity between marks. The two questions to be considered are:

(a) First, whether there is visual, aural and conceptual similarity between the allegedly infringing sign and the registered trade mark; and

(b) Second, whether the registered trade mark is distinctive.

The court's practice previously was to consider the second factor on an ad hoc basis. However, Prakash J's endorsement of *Ozone Community* indicates that the distinctiveness of an earlier mark will now be a necessary consideration for future decisions under this section.

Similarity of Goods

Prakash J found that the goods and services, on the whole, were similar. The defendant's goods and services would qualify to be registered in Classes 30 and 43, the same classes in which the plaintiff's SUBWAY mark was protected. Further, identity of goods was not required; it did not matter that the defendant focused on local foods (such as nonya kueh and bubble tea), whereas the plaintiff sold western fare (such as sandwiches and cookies). Both establishments marketed sandwiches comprising variants of white bread with fillings, which was sufficient for a finding of similarity.

Likelihood of Confusion

Despite the court's finding that the marks and goods were similar, it was on this third element that the plaintiff's case under section 27(2)(b) failed. Prakash J concluded that "realistically the likelihood of confusion is hypothetical or speculative". Consumers who purchased SUBWAY NICHE sandwiches were unlikely to believe that the goods originated from or were associated with the plaintiff.

Three observations may be made regarding the court's finding that confusion was unlikely to result. First, this case emphasises the burden on plaintiffs to produce cogent evidence to support their allegations of confusion. The plaintiff in this case was only able to produce affidavits of isolated instances where consumers had mistaken one party's outlet for the other's. The court was prepared to accept surveys tendered as expert evidence, interviews, newspaper articles and similar material, but no such evidence was tendered. Accordingly, the plaintiff's "haphazard recollections of isolated incidents" were insufficient to support a finding that actual confusion had resulted.

Second, the great pains taken by the defendant to distinguish his goods from those of the plaintiff's weighed against the scant evidence produced by the latter. In this regard, the court was willing to take a practical, realistic approach to consumers' interaction with each party's sandwiches and outlets. The court noted that the sale, display and handing over of the sandwiches to customers differed – the defendant sold pre-packaged sandwiches made from simple ingredients, whereas the plaintiff's sandwiches were made on the spot, customizable, and included quasi-gourmet variants such as teriyaki chicken and cheese steaks. The prices of both products also differed significantly, as did the interior design schemes of each party's outlets. The court's willingness to consider the market realities of each party's business is perhaps due to the fact that both plaintiff and defendant had been trading for a significant period of time, since 1996 and 1987 respectively. Compared to *quia timet* actions where no use of the marks has been made, the court is less likely to infer confusion in a case where the parties' business operations, established over the years, have come to differ such that consumers in practice are clearly able to tell one establishment from the other.

Third, this case demonstrates, in line with recent cases, that the confusion must be established in relation to "not an insubstantial number" of the public, each of whom is reasonably well-informed, observant and circumspect. The courts will assume that the average consumer exercises ordinary care and intelligence in making his purchase, and is literate, educated, "constantly exposed to the world, either through travel or media" and is unlikely to be "easily deceived or hoodwinked". Proving confusion thus appears to be an increasingly uphill task as it is clear that the court will not readily infer confusion amongst a small number of "morons in a hurry".

Prior Use Defence

Although the court had already found that there was no trade mark infringement under section 27(2)(b), it went on to consider the defence under section 28(2) for completeness. This is the defence of prior use – i.e. that the defendant had been using his SUBWAY NICHE mark on his goods before 25 May 1989, when the SUBWAY mark was registered, and that he continues to market his goods under the SUBWAY NICHE mark.

As discussed below, the Court found that the defendant had begun using his SUBWAY NICHE mark prior to 25 May 1989, and continues to market those goods. Accordingly, the defence under section 28(2) would have succeeded in respect of sandwiches, had trade mark infringement been proven. However, Prakash J noted that no defence would be available in relation to SUBWAY NICHE for restaurant services, as the defendant's café was opened only after 25 May 1989.

Section 27(3) of the Act is reproduced as follows:

Acts amounting to infringement of registered trade mark
27. —(3) A person infringes a registered trade mark which is well known in Singapore if —

(a) without the consent of the proprietor of the trade mark, he uses in the course of trade a sign which is identical with or similar to the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered;

(b) the use of the trade mark in relation to those goods or services would indicate a connection between those goods or services and the proprietor;

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

(d) the interests of the proprietor are likely to be damaged by such use.

As the court had already found that the marks and goods in question were similar, the factors in section 27(3)(a) were fulfilled. Accordingly, the court focused on the question of whether the SUBWAY mark was well-known in Singapore, as well as the factors in sections 27(3)(b), (c) and (d).

Prakash J readily accepted that the SUBWAY mark is well-known in Singapore. The plaintiff demonstrated that it owns 92 stores in Singapore, and has devoted considerable efforts to advertising and promoting its mark. However, the court found that sections 27(3)(b) and (c) were not made out, for the same reasons that a confusion under section 27(2)(b) was unlikely to result.

As for section 27(3)(d), the plaintiff claimed various heads of damages as a result of the defendant's use of its SUBWAY NICHE mark. However, the court found that many of these heads were purely speculative. The plaintiff had not produced any evidence of actual damage, or evidence indicating that such damage would be likely to transpire.

In any event, as the court had found that no likelihood of confusion would arise, the plaintiff's claims of tarnishment and dilution were unfounded. The court further found that each party in this case had developed its own separate and distinct goodwill which would necessarily attract different customers, and no actual diversion of sales would result.

On the whole, the plaintiff's cause of action under section 27(3) therefore failed. Despite Prakash J's readiness to accept the well-known status of the SUBWAY mark, such status was of little assistance to the plaintiff once a finding was made under section 27(2)(b) that no likelihood of confusion would arise.

Passing off

On passing off, the plaintiff was tasked with proving the "classical trinity" of elements in this action:– goodwill, misrepresentation and damage. However, the plaintiff failed to prove that it had goodwill in its SUBWAY mark at the time the conduct complained off commenced – i.e. 1989, when the defendant first started using their SUBWAY NICHE name for sandwiches. Accordingly, there was no need for the court to consider the other 2 elements, and the plaintiff's claim in passing off failed.

Prakash J, in determining that the plaintiff had no goodwill in their SUBWAY mark in 1989, made a critical finding of fact – that the defendant had been selling sandwiches ever since it opened in 1987. As the first SUBWAY outlet in Singapore only opened in 1996, the plaintiffs had no goodwill which pre-dated the defendant's selling of sandwiches. Accordingly, the defendant had not passed-off his products as those of the plaintiff's.

In making this crucial finding of fact, Prakash J rejected the plaintiff's contention that the defendant only sold nonya kueh and pastries prior to the year 2000. These goods were advertised by the defendant prior to 2000, and it was only later that he began to advertise sandwiches. However, the court held that the defendant was not required to advertise everything he sold. No inference could properly be drawn that the defendant did not sell sandwiches prior to 2000. By contrast, Prakash J accepted the consistent and straightforward testimony of the defendant and his two employees, affirming that they had sold sandwiches from as early as 1987.

Notwithstanding this finding of fact, the court went on to consider the "foreign business problem" – the requirement that foreign traders, even those with a prominent reputation, must necessarily have a trading or business presence in Singapore before goodwill can be found. Prakash J termed this the "hard-line" approach, and observed that the Court of Appeal in the *Amanresorts* case had leant in favour of maintaining this approach (despite their refusal to deal with the matter in full). In any event, Prakash J stated that even if she were to adopt a "softer approach", this would not help the plaintiff. The "softer approach" entails a plaintiff arguing that he has customers in the jurisdiction even though he may not have a physical or business presence within the same. For example, the plaintiff may have consumers who purchase his goods when travelling abroad, or who import his goods into Singapore. The UK courts have found that this is sufficient for goodwill to subsist locally. However, the plaintiff in this case furnished no evidence of its goodwill, reputation, or base of customers in Singapore before 1987. Thus, he could not satisfy even this "softer approach" to the issue of goodwill.

Having determined that the plaintiff had not established any goodwill in its SUBWAY mark at the relevant time, the court declined to deal with the defences of antecedent or concurrent use, and the doctrine of laches (based on the plaintiff's failure to object to the defendant's 20-year use of the SUBWAY NICHE mark). The plaintiff's actions for trade mark infringement and passing off were dismissed with costs to the defendant.

CASE NOTE: TRADE MARK PROSECUTION PRACTICE

Ex Hacienda Los Camichines SA DE CV v Rum Creation & Products Inc [2012] SGIPOS 1

This was a consolidated opposition to the registration of three trade marks by the Applicants. The marks in question were ZACAPA CENTENARIO as a word mark (the "**ZACAPA Word Mark**"), as well as 2 marks were ZACAPA CENTENARIO was combined with a woven pattern, flower design and the numbers "15" or "23" (the "**ZACAPA Device Marks**"). All 3 marks were applied for in Class 33, in respect of rum products generally.

The Opponents were the registered proprietors of the GRAN CENTENARIO mark in Class 33, in respect of tequila products generally. They opposed the ZACAPA Word Mark on the basis of section 8(2)(b) of the Trade Marks Act, and the ZACAPA Device Marks on the basis of sections 8(2)(b), 8(7)(a) and 8(4)(i).

Section 8(2)(b)

The Registrar approved of the 3-step test under this section, set out by the Court of Appeal in *The Polo/Lauren Co, LP v Shop-In Department Store Pte Ltd* [2006] 2 SLR(R) 690 ("***Polo/Lauren***"). The inquiry proceeds as follows:

(1) Whether the marks in question are similar;

(2) Whether they are applied to similar goods; and

(3) Whether, by virtue of (1) and (2), there is a likelihood of confusion on the part of the public.

Similarity of Marks

The Registrar noted, following Ozone Community Corp v Advance Magazine Publishers Inc [2010] 2 SLR 459, that the distinctiveness of the earlier trade mark is relevant in determining whether two marks are similar. Here, the Opponents' GRAN CENTENARIO mark was moderately distinctive; it was the Spanish phrase translation of "Grand Centennial", which would not be commonly understood by Singaporeans. It was not as distinctive as marks such as VOLVO, but not as common as marks such as POLO. Accordingly, a later mark could be distinguishable from the Opponents' if it contained a moderate degree of modification.

The Registrar found that the ZACAPA Device Marks contained design elements which were visually distinguishable from the GRAN CENTENARIO word mark. The word ZACAPA was printed prominently on the ZACAPA Device Marks, with CENTENARIO presented in much smaller font. Design elements also rendered the marks conceptually dissimilar, as the ZACAPA Device Marks' wide band of basket weaving and flower device conjured up an idyllic, laid back, Caribbean holiday mood. On the whole, these marks were dissimilar.

However, the Registrar found that the ZACAPA Word Mark and the GRAN CENTENARIO mark were visually and conceptually similar. Visually, both marks contained the word CENTENARIO, which was the longer word of the two. The marks were also conceptually similar, as consumers would notice the common word CENTENARIO and may recall the concept of a centenary or centennial. However, the Registrar found that aural dissimilarities were present, as the beginnings of marks would be aurally more impactful than their endings.

Similarity of Goods

The Registrar endorsed the court's approach in *Ferrero SPA v Sarika Connoissuer Cafe Pte Ltd* [2011] SGHC 176 to determining whether goods were similar. It was held that the guidelines in *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 may not be applicable where the goods in question fell within the same class of the Nice Classification. Only in cases where goods registered within the same class were nonetheless not similar (e.g. laundry bleach v. perfumes, both in Class 3), should the *British Sugar* test be applied.

In the instant case, the Applicants' and Opponents' marks were all registered in Class 33. As "rum" and "tequila" products are essentially of the same nature, the goods in question were similar.

In any event, the Registrar applied the *British Sugar* guidelines for completeness, and affirmed that the same result would be produced. Rum and tequila should be compared generally, rather than focusing on differences between the specific products and their tastes. As the goods are sold on the same shelf at convenience stores and are enjoyed by consumers of alcohol generally, they are similar goods.

Likelihood of Confusion

As the Registrar found that the GRAN CENTENARIO mark and the ZACAPA Device Marks were not similar, she did not consider whether a likelihood of confusion would arise with respect to these marks.

However, the Registrar considered this third element in relation to the ZACAPA Word Mark. She assessed the marks against a list of factors set out in Polo/Lauren, and concluded that there was no reasonable likelihood of confusion between them. Weighing in the Applicants' favour was the Registrar's finding that rum and tequila are not "cheap consumerables that are bought without much thought". Consumers, as well as purchasing traders such as bars and nightclubs, would exercise greater care when purchasing rum and tequila. Further, the Registrar took into account evidence of the Applicants' and Opponents' branding efforts overseas, in lieu of substantial evidence of either parties' sales in Singapore. She noted that the marks were presented with differing, vivid visual elements, and that the Applicants tended feature ZACAPA in the largest font whereas the Opponents featured the word CENTENARIO. Accordingly, the likelihood of confusion was low as consumers would notice different elements within each party's mark. As such, the ground of opposition under section 8(2)(b) failed.

Section 8(7)(a)

Under this ground of opposition, the Opponents claimed that use of the ZACAPA Device Marks would be liable to be prevented by the law of passing off. The "classical trinity" of passing off elements had to be established: goodwill, misrepresentation and damage.

The Registrar found that the Opponents did not have goodwill in their GRAN CENTENARIO mark at the time the ZACAPA Device Marks were applied for. The Opponents' sole evidence was an invoice proving that they sold 40 units of GRAN CENTENARIO tequila to a company in Singapore. Further, this invoice was dated 26 November 2008, after the relevant date of 20 June 2008. This was insufficient to prove that the GRAN CENTENARIO mark was an "attractive force which [brought] in custom".

The Registrar further held that misrepresentation was not proved, for similar reasoning that a likelihood of confusion would not arise under section 8(2)(b). On the whole, the ground of opposition under section 8(7)(a) failed.

Section 8(4)(i)

The Opponents claimed that their GRAN CENTENARIO mark was well-known, such that use of the ZACAPA Device Marks would indicate a connection between the two goods which was likely to damage their interests.

However, the Opponents' submissions suffered from the same weaknesses as those in respect of goodwill under section 8(7)(a). The sole invoice produced by the Opponents was poor evidence of their sales within Singapore. In any event, the invoice was dated after the ZACAPA Device Marks had been applied for, whereas the Opponents had to prove that their GRAN CENTENARIO mark was well-known in Singapore prior to that date.

The Registrar was not persuaded that the Opponents had extensively promoted and advertised their GRAN CENTENARIO mark. While such publicity took place in the United States and Mexico, it was not clear that these efforts had reached Singaporean consumers. The Opponents further claimed that they incurred extensive advertising costs in promoting their mark, but this was a bare assertion unsupported by documentary evidence. Finally, while the Opponents had registered their GRAN CENTENARIO mark in numerous jurisdictions worldwide, these alone would not render a trade mark well-known in Singapore. Even if the Opponents' mark was well-known, the remaining factors under section 8(4)(i) would not be made out. As analysed in the Registrar's decision on the likelihood of confusion under section 8(2)(b), and on misrepresentation under section 8(7)(a), use of the ZACAPA Device Marks on the goods claimed would not indicate a confusing connection between those goods and the Opponents'.

As the ground of opposition under section 8(4)(i) also failed, the Registrar ordered that the Applicants' marks would be allowed to proceed to registration.

P. T. Swakarya Indah Busana v Haniffa Pte Ltd [2012] SGHC 69

The First Defendant registered 6 marks in 2005, three variants of "MARTIN ORIGINAL" and three variants of "MARTIN EXECUTIVE". These were later assigned to the Second Defendant. The Second Defendant also registered 9 marks between 2002 and 2010, each incorporating the word "MARTIN, including "MARTIN GOLD", "MARTIN ROYAL" and "MARTIN CLASSIC".

The Plaintiff is an Indonesian company that manufactures clothing under the marks "MARTIN" and "MARTIN PACEMAKER". It was not disputed that the Plaintiff had been selling clothing under the "MARTIN PACEMAKER" mark in Singapore since 1982. In addition, between 1985 and 2000, the Plaintiff acquired registrations for "MARFIN and device", "MARTIN KING" and "LEO MARTIN" in Singapore. In 2006 and 2007, the Plaintiff registered "MARTIN", "MARTIN PACEMAKER" and "MR and crown device" in Singapore.

The Plaintiff applied to invalidate all 15 of the Defendants' marks on the basis that:

(i) The applications to register the challenged marks were made in bad faith (pursuant to Section 23(1) read with s. 7(6) of the Trade Marks Act)

(ii) The registrations of the challenged marks were tainted by fraud or misrepresentation (pursuant to Section 23(4) of the Trade Marks Act).

Bad Faith

The Court found that all the challenged marks would be invalidated on the basis that they were registered in bad faith. Lee J accepted the Plaintiff's evidence that its goods were referred to by customers and traders as "Martin" shirts. He noted that the prominent element of the Plaintiff's marks as used was the word "MARTIN", and that the Plaintiff had previously taken out enforcement action against other traders trying to ride on the reputation of the word "MARTIN". He also considered the undisputed evidence that before registering its marks, the First Defendant had purchased a large quantity of shirts bearing the Plaintiff's "MARTIN PACEMAKER" and "MARTIN GOLD" marks. This, together with the fact that the First Defendant was in the business, indicated that the Defendants would know that the Plaintiff's shirts were known as "Martin" shirts. In addition, since the Defendants knew of multiple registered marks containing the word "MARTIN", it was unlikely that the Defendants would choose to use the word "MARTIN" if they were truly trying to develop their own brand. On the evidence, the learned judge found that the Defendants had registered the challenged marks intending to take advantage of the Plaintiff's reputation in the word "MARTIN", and that such behavior falls within the scope of bad faith in s. 7(6) of the Trade Marks Act.

Fraud/Misrepresentation

On the second ground for invalidation, Lee J held that in order to succeed under s. 23(4) of the Trade Marks Act, the Plaintiff must show that i) there was an untrue representation made by the Defendants, and ii) there was consequential reliance by the Registrar in accepting the Defendants marks for registration. The Plaintiff claimed that the Defendants' declaration in Form TM4 of a bona fide intention to use the "MARTIN ORIGINAL", "MARTIN CLASSIC" and "MARTIN EXECUTIVE" marks was a misrepresentation. As evidence that the Defendants did not have a bona fide intention to use the marks, the Plaintiff exhibited shirts that showed "MARTIN" in prominent font and "CLASSIC" in substantially smaller font. However, Lee J held that this evidence alone was insufficient to lead to the conclusion that the Defendants had no bona fide intention to use the marks. He noted that some of the Defendants' marks were indeed used on its goods.

CASENOTE: COPYRIGHT INFRINGEMENT

Wong Wan Chin v. Wang Choong Li (now or formerly trading as The Feline Bridal) [2012] SGHC 24

This case was an appeal to the High Court against the District Court's refusal to grant an injunction to prevent the respondent from using the appellant's wedding photographs. The court dealt with the usual factors in deciding whether to grant an injunction, but more interestingly, the court's comments on the relationship between copyright and personal privacy suggest that it remains difficult to sustain arguments based on a loss of privacy in Singapore.

The appellant is a Hong Kong singer, who had come to Singapore to rent wedding dresses in a bid to avoid publicity in Hong Kong. The respondent runs the bridal salon which rented the dresses to the appellant. The appellant wore the rented dresses for a photo-shoot with her fiancé, after which she gave the respondent a DVD of the photographs. The respondent then displayed these photographs in the bridal salon, and at a bridal exhibition. The appellant sued the respondent for infringement of copyright in the photographs, claiming damages based on her income from publicity endorsements. She also applied for an interim injunction to restrain the respondent from further use of the photographs. The District Court dismissed the application and on appeal to the High Court, the appeal was dismissed.

Full and Frank Disclosure

The District Court had found that the appellant had failed to disclose a collection form on which the words "*recording a sponsorship of the rental of the items*" were handwritten. On appeal, the appellant claimed that her solicitors had advised that the collection form need not be disclosed. However, the High Court held that the appellant would have to bear the consequence of her non-disclosure regardless of whether the non-disclosure was upon advice, and would not be allowed to adduce evidence that the non-disclosure was upon advice. Further, the High Court accepted the District Court's finding that the appellant had made untruthful statements in her evidence. As an injunction is an equitable remedy, and the rules of equity require full and frank disclosure, the appellant's failure to make full and frank disclosure of all relevant facts would entitle the court to refuse the injunction.

Balance of Convenience

The Court agreed that the balance of convenience was against granting an injunction to the appellant. It cited the following factors:

- The appellant did not have a strong arguable case. The circumstances suggested that the respondent had a contract with or at least consent from the appellant to use the photographs. There was also no evidence that the copyright in the photographs belonged to the appellant instead of the photographer.

- The appellant had delayed more than a year to bring her claim.

- Damages would be quantifiable and adequate to compensate the appellant should she finally succeed in her claim.

Copyright and Privacy

In determining that damages were adequate, the High Court dismissed the appellant's argument that she would suffer an unquantifiable loss of privacy. The court distinguished between personal and private material, and suggested that not every breach of copyright in a personal photograph would be a loss of privacy for the subject of the photograph. In this case, the photographs were not private as they were taken in public and bystanders could have taken and circulated similar photographs. As a result, the appellant's loss was pecuniary and not a matter of privacy. Second, the court questioned the appellant's decision to limit her claim to the District Court limit of $250,000 if her loss was truly unquantifiable.

It remains to be seen what circumstances would suffice to establish a loss of privacy in Singapore when personal photographs are used without consent. However, this case does appear to leave open the possibility that breach of copyright in private photographs could be treated differently from breach of copyright in personal photographs that do not reach the "private" threshold, if only for the purposes of quantifying damages.

CASENOTE: PATENTS

Martek Biosciences Corporation v Cargill International Trading Pte Ltd [2012] SGHC 35

In our last update, we reported on *Martek Biosciences Corporation v Cargill International Trading Pte Ltd* [2010] SGCA 51, in which the Court of Appeal refused leave for Martek Biosciences Corp to adduce further evidence in its appeal against the revocation of its patent. This casenote summarizes the substantive appeal against revocation.

Martek Biosciences Corp ("the appellant") was the proprietor of a patent entitled "Arachidonic Acid and Methods for the Production and Use Thereof" ("the challenged patent"). The challenged patent contained four independent claims (Claims 1, 2, 20 and 35), on which all the other claims relied. Cargill International Trading ("the respondent") filed an application to revoke the patent on the usual grounds that:

(i) the challenged patent was not a patentable invention under s. 80(1)(a) of the Patents Act, and

(ii) the challenged patent was invalid for insufficiency under s. 80(1)(c) of the Patents Act.

Before the Patents Tribunal ("the Tribunal"), the application for revocation was allowed. The Tribunal held that the subject invention was novel but lacked inventive step. It found that a skilled person would have found it obvious to combine the teachings in the prior art to reach the four independent claims in the challenged patent. Accordingly, the dependent claims would fail as well, although the Tribunal proceeded to find also that each dependent claim lacked an inventive step. As to the ground of insufficiency, the Tribunal held that the issue had not been pursued before it by the respondent.

The appellant appealed on the finding that the subject invention lacked inventive step. The respondent cross-appealed on the finding that Claims 1 and 2 were novel, and the finding that it had not adequately pursued the ground of insufficiency before the Tribunal.

The High Court allowed the appellant's appeal, holding that the patent was valid as all four independent claims disclosed inventive steps, even when the prior art was mosaicked. The respondent's cross-appeal was dismissed.

Insufficiency

The Court upheld the Tribunal's refusal to consider the ground of insufficiency, holding that because sufficiency is assessed from the point of view of a person skilled in the art, evidence from expert witnesses is critical to sustain an insufficiency argument. However, the respondent had not led relevant evidence from its expert witnesses, nor cross-examined the appellant's expert witnesses on the issue. Further, even though the respondent had addressed insufficiency in its written submissions, it had not done so in its Opening Statement. In the absence of expert evidence, the respondent's submissions on insufficiency could not be sustained. Also, since the appellant did not have the opportunity to lead evidence on the issue, allowing the respondent to rely on the ground of insufficiency on appeal would prejudice the appellant in a way that could not be compensated for by costs.

Novelty

The Court also upheld the Tribunal's finding that Claims 1 and 2 were novel. Claim 1 was for *"A composition [containing arachidonic acid] for enteral or parenteral administration to a human*...". The prior art disclosed a composition containing arachidonic acid, but to be administered topically. Given that the composition itself was disclosed in the prior art, the Court applied the relevant test for novelty as set out in the European Patent Office Guidelines for Examiners, C-III at paragraph 4.13, that "... *if the known product is in a form in which it is in fact suitable for the stated use, though it has never been described for that use, it would deprive the claim of novelty*."

The issue was thus whether the product disclosed in the prior art was in fact suitable for enteral or parenteral administration even though the prior art did not describe it as such. The appellant's experts testified that the skilled person would conclude from the prior art that the product might be toxic and was not suitable for enteral or parenteral administration. Under cross-examination, the respondent's expert admitted to the same. As a result, the Court held that the party challenging novelty, the respondent, had failed to discharge its burden of proof.

Claim 2 was for "*Infant formula comprising triglyceride containing arachidonic acid in an amount comparable to the amount in human breast milk wherein the arachidonic acid is provided by adding to infant formula [an additive]*". The prior art disclosed infant formula containing arachidonic acid in an amount comparable to the amount in human breast milk made by adding a different additive to infant formula. The respondent argued that because the claims were product-by-process claims, it was irrelevant that the prior art did not disclose the claimed process of making the infant formula, as long as it disclosed the infant formula. However, the court held that the prior art did not even disclose the claimed infant formula – Claim 2 specifically required arachidonic acid in triglyceride form, and having other particular biochemical characteristics, while the prior art did not have such requirements. Claim 2 was therefore found to be novel.

Inventive Step

The court reversed the Tribunal's decision that the four independent claims lacked inventive step. It applied the principle that the skilled addressee assesses the obviousness of an invention by reference to the whole of the state of the art relevant to this invention, whereas he assesses the novelty of the invention by reference to each individual piece of prior art in this state of the art. There is, however, an exception to this scenario, in that mosaicing' is not permitted in the obviousness inquiry if it would not be obvious to the skilled addressee to 'mosaic' the different pieces of prior art.

The Court noted that there was no evidence from any of the expert witnesses in this case that the person skilled in the art would mosaic the prior art. Accordingly, the Tribunal had no basis on which to find that it would have been obvious to the skilled person to combine the prior art. Tay J emphasized that a court does not have to simply accept an expert witness' evidence without further examination. However, when the court has to apply a test from the perspective of the skilled person, it is not entitled to simply substitute its own judgment in the absence of any relevant expert evidence.

Partiality of Expert Witnesses

Tay J also reiterated his holding in *Martek v. Cargill (No. 1),* that any allegation of bias of expert witnesses must be supported by evidence of actual bias, not just evidence of a potential bias. Further, he noted that in cases where a high degree of specific expertise is needed, the pool of experts may be small and these experts may inevitably have associations that suggest bias at first sight. The court was therefore reluctant to disregard the evidence of the appellant's expert witnesses, although these witnesses had direct interests in the patent at issue.

The centrality of expert evidence in patent cases is clearly borne out in this decision. Many legal issues in patent cases require the court to adopt the mantle of a person skilled in the art, and while the court stressed its role as the final arbiter and assessor of the evidence, it also seemed to recognise that it does not possess the required expertise to adopt the mantle on its own. Further, because of the court's reliance on expert evidence, it will be much slower to accept allegations of bias which will limit the evidence on which it can rely. Parties will therefore have to pay increased attention to ensuring their expert evidence is sufficient to discharge any burdens of proof that may be on them.

Astrazeneca AB v. Ranbaxy (Malaysia) Sdn Bhd [2012] SGHC 7

This case concerned two issues of civil procedure in relation to patent cases. First, whether a defendant can put the validity of patent claims into issue where the plaintiff has not alleged that those claims were infringed. Second, whether notices served pursuant to s. 12A(3)(a) of the Medicines Act are sufficient provision of "*full particulars*" as required under s. 78(1)(a) of the Patents Act ("PA").

The facts of the case are as follows: The Plaintiff alleged that the Defendant had infringed five claims of a patent. In its pleadings, however, the Defendant put into issue the validity of nine different claims of the same patent, as well as the validity of two other patents owned by the Plaintiff. The Plaintiff sought to strike out the references to the nine claims and two additional patents in the Defendant's pleadings.

The Assistant Registrar granted the Plaintiff's application in terms. He considered s. 82(1) of the PA, which states

Proceedings in which validity of patent may be put in issue

82.— (1) Subject to this section, the validity of a patent may be put in issue —

(a) by way of defence, in proceedings for infringement of the patent under section 67 or proceedings under section 76 for infringement of rights conferred by the publication of an application;

(b) in proceedings under section 77;

(c) in proceedings in which a declaration in relation to the patent is sought under section 78;

(d) in proceedings before the Registrar under section 80 for the revocation of the patent; or

(e) in proceedings under section 56 or 58.

The Assistant Registrar thus held that the Defendant could not put the validity of patent claims into issue if the Plaintiff had not alleged infringement of those claims. It could not be said that their validity was put into issue by way of defence under s. 82(1)(a) of the PA, since they were not even challenged by the Plaintiff to begin with.

Also, the proceedings did not fall under s. 82(1)(c) of the PA, because the Defendant had not furnished the Plaintiff with full particulars of the potentially infringing acts, as required under s. 78(1)(a) of the PA. Section 78 states

(1) … a declaration that an act does not, or a proposed act would not, constitute an infringement of a patent may be made by the court or the Registrar in proceedings between the person doing or proposing to do the act and the proprietor of the patent, notwithstanding that no assertion to the contrary has been made by the proprietor, if it is shown —

(a) that that person has applied in writing to the proprietor for a written acknowledgment to the effect of the declaration claimed, and has furnished him with full particulars in writing of the act in question; and

(b) that the proprietor has refused or failed to give any such acknowledgment.

Notices served on the Plaintiff by the Defendant pursuant to s. 12A(3)(a) of the Medicines Act, setting out skeletal particulars and the Defendant's own opinion as to whether the Plaintiff's patent was invalid and/or likely to be infringed, did not meet the threshold requirement for full particulars. It appears however that this case does not entirely preclude the possibility that an applicant could meet the requirements of s. 78(1)(a) of the PA by virtue of notices served pursuant to s. 12A(3)(a) of the Medicines Act, if such notices contain clear and exhaustive particulars of the applicant's intended acts.

It is clear from this case that s. 82(1)(a)-(e) of the PA forms an exhaustive list of the situations in which the validity of a patent can be put into issue. Since the proceedings did not fall into any one of those situations, the Assistant Registrar commented that the Defendant ought to have taken out fresh revocation proceedings in relation to the additional nine claims and two separate patents instead.

AstraZeneca AB (SE) v. Sanofi-Aventis Singapore Pte Ltd [2012] SGHC 16

AstraZeneca is the proprietor of a patent consisting of an active ingredient (Rosuvastatin Calcium) and an inorganic salt in which the cation is multivalent ("the Patent").

In April 2011, the Defendant Sanofi-Aventis applied to the Health Sciences Authority ("HSA") for product licences over products containing Rosuvastatin Calcium ("proposed products").

In Singapore, product licences from the HSA are required to sell, supply or export any medicinal product. Under s. 12A Medicines Act, applicants for product licences are required to make certain patent-related declarations, and the Defendant declared that the proposed products were the subject of a patent which did not belong to the Defendant, the proprietor of the patent had not consented to nor acquiesced in the grant of product licences to the Defendant over the proposed products, and that to the best belief of the Defendant, the patent would not be infringed by the doing of the acts for which the licences were sought.

As a result, HSA requested the Defendant to notify the Plaintiff that it had made an application for product licences in respect of the proposed products. In accordance with the standard form in the Sixth Schedule to the Medicines (Licensing, Standard Provisions and Fees) Regulations, the Defendant stated that its reason for believing that the Patent would not be infringed by the acts for which the licences were sought was that the proposed product "does not comprise an inorganic salt in which the cation is multivalent as set out in the patent claims".

The notification further stated that "*Unless an application is made, within 45 days from the date this Notice is served on you, for a court order restraining the act for which the licence is applied for or a declaration by a court or the Registrar of Patents that the [Patent] will be infringed by the doing of that act, the HSA may proceed to grant the licence.*"

Upon receiving the notification, the Plaintiff filed a Statement of Claim, seeking

(i) a declaration that the Defendant's acts in disposing of, offering to dispose of, using, importing, and keeping for disposal or otherwise of the Defendant's products would infringe the Patent; and

(ii) an injunction to restrain the Defendant from infringing the Patent.

The Defendant applied to strike out the action on the basis that the Statement of Claim disclosed no reasonable cause of action. It argued that there could only be a cause of action if the Plaintiff could establish patent infringement under the Patents Act, but in this case no act infringing the Patent had been done yet, and the mere application for a product licence was not an infringing act. Second, it suggested that the Plaintiff's motive in instituting the action was merely to delay the processing of the product licence applications for the proposed products, and that the Plaintiff was trying to obtain confidential information regarding the Defendant's proposed products.

On the other hand, the Plaintiff stated that s. 12A of the Medicines Act contemplates an independent cause of action from a patent infringement under the Patents Act.

The court dismissed the application to strike out the claim. The assistant registrar accepted that any action for patent infringement under the Patents Act requires an act of infringement to have already been done, and that merely applying for a product licence is not an act of infringement. The critical issue was therefore whether s. 12A of the Medicines Act contemplates an independent cause of action from a claim for patent infringement under the Patents Act.

The court held that it does, for the following reasons:

- Section 12A of the Medicines Act uses the words "will infringe" and contemplates the taking out of an action for prospective infringement, while an action for infringement under the Patents Act can only be taken out for past infringement.

- Parliament's intention is that a patentee should be able to take out an action pursuant to s. 12A of the Medicines Act. If not, then it would be almost impossible for a patentee to satisfy the requirement of past infringement because the mere application for a product licence, and preparatory acts performed to support the application are not acts of infringement. Further, if the patentee already had a cause of action under the Patents Act for infringement, s. 12A of the Medicines Act would be made redundant.

- There is no avenue for a patentee to obtain a declaration that a patent will not be infringed under any provision of the Patents Act. Section 78 of the Patents Act provides for the applicant for a product licence to seek a declaration of non-infringement in respect of future events, but no section provides for a patentee to obtain a similar declaration.

Further, the court held that it has inherent jurisdiction to make binding declarations in relation to future events, and would do so if there is a "real commercial interest" in the declaration being granted. For this proposition, the court cited *Nokia Corp v. Interdigital Technology Corp* [2007] FSR 23. The court clarified that such declarations would only relate to contested legal rights between the parties to a dispute, and would not be a declaration of the law in general (*Gouriet v. Union of Post Office Workers* [1978] AC 435).

Finally, the court held that a cause of action under s. 12A of the Medicines Act can be maintained solely on the basis that the patentee does not believe the proferred reason for the defendant's belief that its acts are non-infringing. This is because:

- The patentee has only 45 days after receiving the defendant's notification that it has applied for a product licence to take out an action against the defendant. It could not have been Parliament's intention for the patentee to be required to plead further facts in support of its claim.

- Although a defendant may be required to reveal its trade secrets to a plaintiff as a result, there are ways of protecting the defendant, such as through requiring the plaintiff to undertake not to use the information for purposes outside the court action.

As to whether the action was frivolous, vexatious or otherwise an abuse of process, the court stated that the Defendant had not proved that the Plaintiff was attempting to abuse the patent system, or simply instituting the action to delay processing of the Defendant's product licence applications.

LEGISLATION UPDATE

Data Protection Bill

In our last update in 2011, we reported that the Ministry of Information, Communications and the Arts (MICA) had commissioned consultations to be held over a proposed data protection law. We mentioned that Singapore currently does not have overarching data protection legislation, instead choosing to adopt a piecemeal, industry-specific approach.

The Personal Data Protection Bill ("the Bill") has since undergone three rounds of public consultation and consequent tweaking. It is expected to be passed as the Personal Data Protection Act ("PDPA") and come into force some time in 2012.

Application

The PDPA will govern the collection, use and disclosure of personal data by organisations. An "organisation" is defined broadly, and includes "any individual, company, association or body of persons, corporate or unincorporated". However, s. 4(1) of the Bill states that the main obligations in the PDPA will not apply to public agencies, and individuals acting in a personal or domestic capacity or as an employee of an organisation. Section 4(2) of the Bill also clarifies that data intermediaries are exempted from certain obligations under the PDPA.

Personal Data with a Singapore Link

The type of information protected by the PDPA is personal data with a Singapore link. "Personal data" is "data, whether true or not, about an individual who can be identified from that data or from that data and other information to which the organisation is likely to have access". Further, this data must have a Singapore link (s. 5 of the Bill) – which can refer to the physical location of the data subject, or the location of the personal data itself, at the time of collection, use or disclosure of the said data.

Disclosure of Purpose

Before collection, use or disclosure of personal data, the purpose of such collection, use or disclosure must be communicated to the data subject, or the disclosing organisation, as the case may be (s. 22 of the Bill).

Requirement for Consent

Section 15 of the Bill requires organisations to obtain consent from the data subject to the collection, use or disclosure of his personal data after the purpose for such collection, use or disclosure has been communicated to him. This suggests that where a fresh purpose arises, fresh consent will also be required. It bears noting however that consent can be dispensed with under some circumstances (see for example s. 15(b), s. 17 and s.19 of the Bill). The Bill also provides that a data subject may withdraw consent at any time unless such withdrawal would frustrate the performance of a legal obligation (s. 18).

Purpose must be Reasonable

Section 20 of the Bill states that organisations may collect, use or disclose personal data only for purposes that a reasonable person would consider appropriate in the circumstances. A question remains as to what limitation is placed on s. 20 by virtue of the fact that it only applies "Subject to this Act". It has been opined that this may mean the purpose need not be reasonable where consent has been obtained under s. 15.

Data Subjects' Control over Personal Data

Part V of the Bill provides that a data subject should have access to his personal data and information about how his personal data has been used. A data subject also has the right to request correction of errors or omissions in his personal data, subject to the exceptions in the Bill and the organisation's right to refuse to make the requested correction.

Care of Personal Data

Further, organisations will have to:

- in certain circumstances, make reasonable efforts to ensure that the personal data it collects are accurate and complete (s. 25 of the Bill)
- make reasonable security arrangements to prevent unauthorised access and dealings with the personal data it has collected (s. 26 of the Bill)
- dispose of or retain the personal data it has collected in accordance with s. 27 of the Bill.

Compliance and Enforcement

Importantly, organisations must appoint officers to ensure compliance with the PDPA, whose contact information must be made publicly available (s. 13 of the Bill). Organisations must also develop and implement policies and practices for compliance with the PDPA (s. 14 of the Bill). Failure to comply with its obligations under the PDPA may expose an organisation to criminal penalties and civil claims (ss. 36 and 36 of the Bill).

Data Protection Commission

The PDPA also provides for the setting up of a commission with broad powers to investigate compliance and enforce the PDPA (Part VII of the Bill). The Data Protection Commission will have administrative functions as well.

Do Not Call Registry

Finally, the PDPA sets out provisions governing the sending of unsolicited "specified messages" to Singapore telephone numbers (Part IX of the Bill). A Do Not Call Register will be maintained, and organisations must check this Register to ensure that it does not include the intended recipients of their messages. Also, all "specified messages" must disclose the details of the sender.

Observations

The introduction of the PDPA will bring much needed clarity and consistency to the data protection regime in Singapore. It will also bring us one small step closer to compliance with data protection and privacy laws in jurisdictions such as the EU. Together with the newly passed lemon law, the PDPA seems to reflect an increasing focus on consumer protection in Singapore. It is notable, however, that the provisions of the PDPA remain conservative, perhaps in keeping with the Government's desire to maintain a business-friendly, low compliance-cost environment.

Productivity And Innovation Credit Scheme

Singaporean businesses now have little reason not to register their trade marks, with the enhanced Productivity and Innovation Credit Scheme ("PIC") unveiled at the Singapore Budget 2012 this year. First introduced at Budget 2010, the PIC provides tax benefits for investments by businesses in 6 key activities, which includes the acquisition of Intellectual Property Rights ("IPRs").

The PIC, as its name suggests, aims to encourage businesses to improve their innovation and productivity between Years of Assessment (YAs) 2011 – 2015. Where IPRs are concerned, tax benefits will be granted to all costs incurred to acquire IPRs for use in a trade or business (excluding EDB approved IPRs and IPRs relating to media and digital entertainment contents). Examples of these include payment to buy a patented technology for use in manufacturing process, or the price paid for registration of a trade mark. Businesses should note that successful registration of their IPRs is not required – so long as they have incurred registration costs, they will be eligible for the enhanced tax benefits under the PIC.

To summarise, there are 2 avenues through which businesses may benefit from the PIC scheme. The first is by way of a 400% tax deduction/allowance on their IPR expenditure, and the second is a cash payout option.

400% Tax Deduction

Under this option, business may enjoy a 400% tax deduction/ allowances on up to $800,000 (for YA 2011 – 2012), or $1.2m (for YA 2013 – 2015) of their expenditure on each of the 6 qualifying activities. In other words, businesses stand to gain up to $3.2m (for YA 2011 – 2012), and $4.8m (for YA 2013 – 2015) in tax deductions simply by acquiring IPRs in the relevant YAs.

For IPRs specifically, businesses may further claim a tax deduction of 100% for their expenditure on IPRs which exceeds the given cap ($800,000/$1.2). All in all, the 400% tax deduction/allowance marks a significant increase compared to the current 100% or 150% rate awarded under existing tax legislation.

Cash Payout Option

The PIC also provides a cash payout option, which targets small and growing businesses who may be reluctant to spend on IPRs due to cashflow issues. Under this option, these businesses may convert up to $100,000 per year (provided that they spend a minimum of $400) of their total expenditure all 6 qualifying activities, into a non-taxable payout.

The cash payout option is available at a conversion rate of 30% (for YA 2011 – 2012), and at 60% (for YA 2013 – 2015). As such, businesses may obtain a total cash payout of $60,000 ($200,000 x 30%) for YA 2011 – 2012, and $60,000 ($100,000 x 60%) per year between YA 2013 – 2015.

In order to be eligible for this cash payout option, businesses are required to meet the following criteria:

(a) they must have incurred expenditure on any of the 6 qualifying activities, and are entitled to tax deductions/allowances under the PIC;

(b) they must have active business operations in Singapore; and

(c) they must have at least 3 employees who are Singapore citizens, or PRs with CPF contributions (however, sole-proprietors, partners under contracts for service, and shareholders who are directors of the company, are excluded).

Businesses who are unable to fully utilize their tax deductions or allowances under the PIC may also use these amounts to offset other income of their business. For example, these unutilized trade losses may be:

(a) carried forward to offset against the business income of future YAs;

(b) carried back to the immediately preceding YA to be offset against the prior year's income; or

(c) transferred to and offset against the income of a related Singapore company.

Finally, businesses are required to own their new IPRs for a minimum period before they may qualify for the tax deductions under the PIC. For registered IPRs, this period is one year (from the date of filing), and for acquired IPRs, 5 years (from the date of acquisition). Failing to meet these minimum ownership requirements will trigger claw-back provisions under the PIC, with respect to the tax deductions/allowances given in respect of the business' IPRs.

Lemon Law - Consumer Protection (Fair Trading) Act

On 9 March 2012, Parliament passed an Act to amend the Consumer Protection (Fair Trading) Act (Cap. 52A) ("CPFTA"), an amendment widely known as the introduction of Singapore's "lemon law" (the "Amendments"). "Lemon laws" refer to laws that protect consumers by providing remedies against "lemons" – defective goods that do not conform to contract, are not of satisfactory quality, or are not fit for their intended purpose. The amended CPFTA is expected to come into effect on 1 Sept 2012, providing half a year for businesses to work toward compliance with the new laws.

While some protection against sales of defective goods is currently in place, many felt that the existing laws lacked clarity and were too narrow. The Amendments therefore attempt to clarify issues such as timelines and the burden of proof, and also to expand the remedies available to consumers and retailers. Other existing remedies such as those under common law and the Sale of Goods Act (Cap. 393) ("SGA") continue to apply.

Application of the Amended CPFTA

The Amendments apply to goods purchased by a person dealing as a consumer, which do not conform to the applicable contract at the time of delivery. An "applicable contract" is a contract for the sale of goods as defined in the SGA, a contract for the supply of goods as defined in the Supply of Goods Act (Cap. 394), or a hire-purchase agreement as defined in the Hire Purchase Act (Cap. 125).

The "goods" covered includes all goods, including pets and secondhand goods/vehicles. The Minister for Trade and Industry has clarified that online purchases are also covered, as long as Singapore law applies to the transaction. However, the Amendments do not apply to services or purchases of real property, as it was felt that these transactions are more adequately covered by other laws.

Reversal of Burden of Proof

A key provision in the Amendments is the reversal of the burden of proof in certain circumstances. Section 12B(3) of the amended CPFTA sets out a rebuttable presumption that the goods did not conform to the applicable contract at the time of delivery, if the purchaser reports the defect within 6 months of delivery. The retailer will then bear the burden of proving that the goods were not defective at the point of delivery.

Where the goods are perishable or consumable, however, this presumption only applies up to the normal shelf life of the goods.

Repair or replacement

If the goods purchased do not conform to the applicable contract, section 12C of the amended CPFTA states that the consumer may request for repair or replacement of the goods. Such repair or replacement must be done within a reasonable time and without significant inconvenience to the consumer, and any necessary costs must be borne by the retailer.

Reduction in price or rescission of contract

The consumer cannot demand repair or replacement of the goods if such repair or replacement would be impossible or disproportionate in comparison to certain other available remedies (s. 12C(3) of the amended CPFTA). However, if the consumer is prevented by s. 12C(3) from requesting for repair or replacement of the goods, he may instead ask for a reduction in price or a recission of the contract (s. 12D of the amended CPFTA). The Minister for Trade and Industry has stated that any refund given to the consumer cannot be in the form of a voucher unless otherwise agreed by the customer.

Protection of Retailers' Interests

The Amendments also contain several provisions to protect the legitimate interests of retailers, as a balance is sought to be struck between the needs of consumers and that of retailers. Some examples are as follows:

- Retailer must be given a reasonable time to repair/replace goods

Where the consumer has requested either repair or replacement of the goods, he must give the retailer a reasonable time to comply with the requested remedy before rejecting the goods or demanding that the retailer provide the alternative remedy (s. 12E of the amended CPFTA).

Presumption of non-conformity does not apply to replacement goods

If a consumer has obtained a replacement for defective goods, the presumption of non-conformity will not apply to the replacement goods. As a result, if a consumer reports any defects in the replacement within the first 6 months after the replacement is delivered, the consumer will have to prove that those defects existed at the time of delivery in order to avail himself of the remedies in the amended CPFTA.

Circumstances in which no remedy will be available under the CPFTA

During the Parliamentary Debates on the Amendments, the Minister for Trade and Industry emphasised that a consumer would not be entitled to a remedy under the CPFTA if:

(i) the goods were damaged or misused, or the defect was caused, by the consumer;

(ii) the consumer caused the damage while trying to repair the goods on his own or through unauthorised retailers;

(iii) the consumer knew about the defect before he bought the goods; or

(iv) the consumer simply changed his mind and no longer wants the goods.

Other Important Points

It bears noting that retailers cannot contract out of the newly added provisions. The existing section 13 of the CPFTA states that the operation of the CPFTA cannot be excluded by contract. Also, the Unfair Contract Terms Act (Cap. 396) prevents retailers from excluding implied terms of conformity to description, satisfactory quality and fitness for purpose when dealing with consumers. Accordingly, where a retailer sells discounted items with slight defects, even if he specifies that the goods are sold "as is", he can still be liable under the CPFTA. To minimise his liability, the retailer must point out the defect in the goods specifically to the consumer, and should also document the specific defects on the sales invoice or packaging.

Observations

The new "lemon law" provides a welcome clarification to consumers on the remedies available to them, and when they can seek these remedies. Retailers will also have to be aware of the shift toward greater consumer protection in the Singapore retail industry, and adjust their operations accordingly. Of course, it remains to be seen how effective the provisions will be in actual practice. Some have raised the concern that most consumers will be unaware of their rights and thus fail to reap the benefit of the amended CPFTA. However, it seems that the provisions of the "lemon law", together with proper education of consumers and retailers, and effective enforcement, promises to achieve its goal of increasing mutual trust and confidence between consumers and retailers.

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