

November 2013

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upcoming events

- **IP Business Congress**
Pan Pacific Hotel, Singapore
17-19 November 2013
- **Global Technology Impact Forum**
Geneva, Switzerland
19-21 January 2014



LICENSING EXECUTIVES SOCIETY

President's Message



Dear Fellow LES Singapore Members

Welcome to the second edition of our newsletter. I hope you enjoyed reading the articles and news in the first edition and our editor George Hwang has put together another interesting edition.

Website

I am also pleased to announce that the LES Singapore website revamp has been completed, with thanks to Wern Lee Song. I hope you will all spend some time visiting the new site and that you will find the content interesting. A "Members Only" section has been created with materials and members will be receiving your password soon.

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Student Business Competition

I would like to congratulate the Singapore representatives at the LES Asia Pacific Student Business competition in Hangzhou, China; DeNova Sciences of NTU. You can read more about the competition and how they fared in this newsletter. Special thanks to Sze Tiam Lin and Alfred Yip for their work in mentoring the team.

Sub-Committees

I would also like to thank the members who volunteered for the various committees and to encourage other members to participate. Members are also encouraged to participate in LESI committees and initiatives

DeNova Sciences represents Singapore in LES 2nd Asia-Pacific Student Business Plan Competition

Sze Tiam Lin and Alfred Yip



The LES 2nd Asia-Pacific Student Business Plan Competition hosted by LES China was held during the 4th LES Asia-Pacific Regional Conference in Hangzhou on 15-17 October 2013. The event, now in its second year premises on business plans that emphasize Intellectual Property (IP) assets and strategies. LES Asia-Pacific member countries, including China, Hong Kong, Japan, Korea, Singapore and others, each pre-selected and nominated a national team to contend for the grand prize of US\$3,000 and the opportunity to be introduced to major corporations and investment companies.

Joining Hands

This is an initiative from the new LESI President advocating stronger and closer collaboration and active participation. Members are encouraged to extend the LESI culture and fundamentals by working on collaborations of all kinds, whether internally with LES or externally with other organizations. You can read the LESI President's message on the LES Singapore website.

Sheena Jacob

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November 2013

This year's team to represent LES Singapore is DeNova Sciences, a start-up formed by students from Nanyang Technological University (NTU). It is poised to revolutionize the cosmetics testing industry by replacing animal and human testing with artificial skin substitutes. The team received a monetary award to participate and represent LES Singapore in Hangzhou. Commenting on the winning entry, Dr Sze Tiam-Lin, Director, IPI Singapore, who chaired the judging panel mentioned that DeNova Sciences has established a good IP strategy in developing, protecting and commercializing her proprietary technology to win customers and partnerships.

"The competition was a great opportunity to showcase our company on a global platform. I urge other start-ups in Singapore to actively participate in events such as this to broaden your horizons as well as knowledge," said Daniel Tan, CEO, business development director of DeNova Sciences.

LES Singapore would like to congratulate DeNova Sciences once again for representing Singapore for the competition and walking away with the LES China Prize. For prospective teams who have missed out in this year's competition, LES Singapore looks forward to your participation in next year's event. This is scheduled to be held during the 5th LES Asia-Pacific Regional Conference in Korea.

Sze Tiam Lin & Alfred Yip

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2014 – Changes to IP Laws in Singapore

George Hwang

The Intellectual Property Office of Singapore has on 1 November 2013 published two Consultative Documents. They are for changes to laws relating to:

1. Geographical Indications; and
2. Copyright Fair Use for the Visually Impaired

International treaties are the catalysts for the amendments.

Geographical Indications Act

Drastic changes will be introduced to the current geographical indications law. This is the introduction of a registration regime. There will also be tighter border enforcement measures.

The amendments are the result of the EU-Singapore Free Trade Agreement (“EUSFTA”). Singapore needs to fulfil its treaty obligations with its trading partner.

The amendments are to be introduced in three stages. The first will be the creation of a Geographical Indications Registry in the 2nd quarter of 2014.

Copyright

Singapore has not signed the Marakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled. However, it is supportive of this treaty and the learning needs of the visually handicapped.

The amendments will expand the formats for which works can be reproduced and distributed. It will also allow exports of these copies, subject to certain conditions.

George Hwang

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Flying the WIPO Flag in Asia-Pacific

Denis Croze



Perhaps never before has the ASEAN region experienced so much IP-related activity – countries are looking to accede to WIPO treaties, patent examination capabilities are being established and there is growth in IP filings in many countries. All this shows that the IP environment is very active. One of the main drivers of this intense period of activity is the ASEAN Intellectual Property Rights Action Plan 2011-2015 which includes a wide range of specific projects and desired outcomes.

The plan recognizes the acceleration of ASEAN economic integration from 2020 to 2015, and the important role IP will play in the effective economic integration within the ASEAN region. One of the most significant undertakings in the Action Plan is the accession of a number of countries to a range of WIPO treaties such as Madrid and the Hague. This is a key focus of the WIPO Singapore Office (WSO).

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The WIPO Singapore Office has existed since 2006 when it was officially opened, following endorsement by the Member States of WIPO during the Fortieth General Assemblies in September 2004. Since opening, it has helped organize hundreds of events attracting thousands of participants from more than 20 countries in the Asia-Pacific region.

WSO's cooperation with the Government of Singapore

Under an MOU with the Government of Singapore, WSO works very closely with the MFA, MinLaw and of course, IPOS. The relationships developed over time with IPOS, MFA and local stakeholders are very good and allow WSO to organize high quality regional events with excellent speakers from Singapore. WSO has also been able to cover a diverse range of relevant and current IP topics through its events. In the last twelve months for example, WSO organized a number of events for Asian government delegates including a regional seminar on patent work sharing and a workshop on collective management organizations. A study visit for IP offices from Central Asia was also organized, demonstrating the interest that Singapore has for countries beyond the region.

WSO's pragmatic approach aims at responding to Member State needs. Whilst WSO always seeks to engage the very best speakers, the real value for delegates often comes from interacting with their peers whilst at the event. Such relationships can lead to sharing of knowledge and experiences of those who may have already implemented a solution to a particular problem.

Promotion of WIPO Global services

WSO also undertakes extensive representation work with the view to expanding the outreach of WIPO global services (PCT, Madrid and The Hague systems of international registration, WIPO Arbitration and mediation) to a larger network of institutions and potential stakeholders in the region.

ASEAN IPR Action Plan

With economic integration in ASEAN just around the corner, there is a strong need for businesses, IP professionals and IP offices to have an effective understanding of domestic and global IP services.

The WSO plays an important role in helping the ASEAN Working Group on Intellectual Property Cooperation (AWGIPC) implement the ASEAN IP Rights Action Plan 2011-2015. The plan has a range of very specific targets, some of which include ASEAN countries joining WIPO treaties such as PCT, Madrid and the Hague.

In the last year WSO has coordinated and organized accession seminars held in six Member States for Madrid and two for the Hague. There is much work to be done when preparing to accede and WSO is more than willing, in close coordination with WIPO headquarters in Geneva, to provide assistance in response to Member State requests.

The WSO will also host a *Regional training on Madrid operations* in November and a *Regional seminar in December entitled The Protection of Industrial Designs and The Hague System for the International Registration of Industrial Designs* which will assist Member States in the region to increase their understanding of these global systems.

In order to achieve a better coordination among the IP donors and technical assistance providers within the region, WSO organizes regular coordination meetings and works closely with them. In this respect, it is important that the work undertaken by others, such as the ASEAN Secretariat, the Australia New Zealand Free Trade Area (AANZFTA), IPOPHL as the AWGIPC country lead on Madrid and The Hague accession, and last but certainly not least, IPOS, is carried out strategically.

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Other activities

Going one step further, WSO also plays a role in helping Member States with specific needs, for example WSO staff responded to Member State requests relating to, among others, the development of an IP awareness strategy in Vietnam, and the establishment of collective management organizations in Cambodia and Lao PDR. With in-house expertise in these areas, WSO saves the organization significant costs when compared to the expense of a Geneva-based staff member travelling to the region and delivering the assistance.

The Office itself has a training room with a capacity of 40 people, and a boardroom to host meetings with visiting IP officials and other dignitaries.

WIPO is also represented in Singapore by the WIPO Arbitration and Mediation Center Office in Singapore. Established in 2010, the Office promotes ADR services in the Asia-Pacific region, as well as offering procedural dispute resolution guidance when choosing or adjusting dispute resolution clauses under the WIPO Rules. The Center organizes training on ADR of intellectual property and technology related disputes. It also facilitates hearings in cases conducted in Singapore under the WIPO Rules.

OMG! THEY'RE BEHAVING LIKE KIDS Disputes when the licence agreement expires

Daniel Koh

Introduction

This article reviews two recent decisions in the Singapore High Court concerning disputes arising from a franchise and a licence

With the launch of the IP Hub Masterplan earlier this year, the recent successful conclusion of IP Week @ SG and the appointment of the IPOS Chief Executive as the Chair of the AWGIPC, Singapore is a vibrant and energizing place for intellectual property.

Further afield, many ASEAN countries are experiencing increased use of the IP systems and as a result need their staff to quickly develop expertise and knowledge in key areas. With excellent support from the Government of Singapore, WSO is ideally placed to help these Member States develop the required skills to ensure IP supports local and international innovation. As IP is a driver of innovation, WIPO's overarching goal is to make IP work. For everyone.

Denis Croze

Director

WIPO Singapore Office (WSO)

At a glance:

WIPO Singapore Office, 29 Heng Mui Keng Terrace: <http://www.wipo.int/about-wipo/en/offices/singapore/>

WIPO Arbitration and Mediation Center Office in Singapore, Maxwell Chambers: <http://www.wipo.int/about-wipo/en/offices/singapore/arbitration.html>

agreement, and the lessons that can be drawn from them.

Kids Counsel's case

In the current case of *Total English Learning Global Pte Ltd and Ors v Kids Counsel Pte Ltd* (Suit No. 420 of 2013), the Plaintiffs are the franchisors of the "I Can Read!" ("ICR") system, which consists of an educational programme and educational materials developed to address all aspects of English literacy. The ICR system was designed by a company in Australia known as Total Literacy (Australia) Pty Ltd, and was created through the efforts of research by Australian educational psychologists.

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The First Plaintiff claims to be the registered proprietor of two trade marks in Singapore:

- (a) Trade Mark Number T0518206C in Class 16 for paper goods and art material ("the Class 16 Trade Mark"); and
- (b) Trade Mark Number T0518207A in Class 41 for educational services and reading instruction ("the Class 41 Trade Mark").

The Second Plaintiff claims to be the assignee of "all other intellectual property rights including all copyrights" by a Deed of Assignment dated 19 July 2012, and on that basis is a co-plaintiff in the present suit. The Second Plaintiff is allegedly the owner of copyrights in various artistic, literary and musical works relating to the ICR system ("the Copyright Material").

The Defendant is one of the franchisees of the ICR system pursuant to a franchise agreement with the Plaintiffs ("the Franchise Agreement"), and runs the franchise at 1 Goldhill Plaza ("the Goldhill Centre"). In December 2012, the Plaintiffs issued a letter of demand alleging that the Franchise Agreement had expired. In the Plaintiffs' view, the Defendant was using the ICR system without authorisation and had therefore infringed the Plaintiffs' trade marks and copyrights.

On 2 January 2013, the parties entered into a Non-Disclosure Agreement ("NDA") for the purposes of negotiating the sale of the Defendant's business to the Plaintiffs. Clause 8 of the NDA stated that the NDA:

"... shall remain in effect until the earlier of: (i) termination by written agreement of both parties, or (ii) twelve months from the date written above."

At the time the suit commenced, the Defendant remained listed on the Plaintiffs' website as an authorised ICR centre. The Plaintiffs continued to supply materials to the Defendant and to collect royalties from the Defendant. The Defendant also remained on the Plaintiffs' email distribution list for operation matters. Indeed, the Defendant

continued to run the franchise at Goldhill Centre and continued to use the Plaintiffs' teaching materials.

The Plaintiffs commenced the present action on 8 May 2013 based on four causes of action, namely:

- (a) Expiration and Breach of the Franchise Agreement;
- (b) Copyright infringement pursuant to ss 31 read with 26(1)(a)(iv) of the Copyright Act (Cap 63, 2006 Rev Ed) ("Copyright Act");
- (c) Trade mark infringement pursuant to s 27(1) of the Trade Marks Act (Cap 332, 2005 Rev Ed) ("Trade Marks Act"); and
- (d) Conversion of the Copyright Material (paragraphs 23-26 of the Statement of Claim).

In essence, the Plaintiffs have mounted a challenge against the Defendant and related parties for, amongst other complaints, operating its own school and the latter's use of contact particulars of the parents and the students obtained during the term of the franchise, and also the use of materials related to the Plaintiffs and the ICR system.

As at the date of this article, the High Court has issued a limited injunction regulating the operation of the Defendant's new school operations. Against the backdrop of acrimonious court proceedings, the Court has also had to issue directions that the Plaintiffs' representatives are not to stand within a stipulated radius of the Defendant's school premises to hand out publicity flyers concerning the Plaintiff's school so as to entice away parents and students, post termination of the franchise agreement.

A notable decision issued by the High Court at this stage of the proceedings concerns the Defendant's separate application to strike out the Plaintiffs' claim reported at [2013] SGHCR 22. The Court declined to strike out the Plaintiff's claims but directed that the Plaintiffs amend their claims in court.

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Two pronouncements by the Court are noteworthy. The first issue relates to Section 26(1)(a) (iv) and 26 (1)(b)(iii) of the Copyright Act which provides as follows:

Nature of copyright in original works
 26. (1) For the purposes of this Act, ...copyright, in relation to a work, is the exclusive right-----

(a) in the case of a literary, dramatic or musical work, to do all or any of the following acts:

.....

(iv) to communicate the work to the public

The Court ruled that there can be no copyright infringement under the above section of the Copyright Act unless if the communication by the defendant is made by electronic means. Hence the Plaintiffs' vague allegation that the Defendant had "made available" at the Defendant's Goldhill Centre certain compact discs and audio files of educational materials where the Plaintiffs allegedly own the copyright, may not amount to copyright infringement as these were not clearly communicated by electronic means.

The Court also ruled on another issue concerning the Plaintiffs' claim for trademark infringement. The Court ruled that there is no trademark infringement under Section 27(1) of the Trade Marks Act if a person uses a trade mark as a badge of origin on a genuine product and the trade mark in fact correctly identifies the origin of the product. Hence if a plaintiff had allowed its goods to be put in the market together with its trademark, regardless of the subsequent withdrawal of consent, the continuing use of goods could not be an infringement of the said mark. In this case, the Defendant has contended that it had paid for the Plaintiffs' products under the franchise agreement and that it was not disputed that these are the Plaintiffs' genuine products. Hence there cannot be any trademark infringement. Likewise, the Plaintiffs were directed by the Court to amend their claims to clarify precisely what alleged acts committed by the Defendant amounted to trademark

infringement. This suit is still pending with trial expected to be heard next year.

OMG's case

In another recent case that was considered by the Singapore High Court and the Court of Appeal, *OMG Holdings Pte Ltd v Pos Ad Sdn Bhd* [Suit No 253 of 2009], the licensor sought to enforce a restrictive covenant in the licence agreement to restrain the ex-licensee from competing in the same industry after the licence agreement had expired. The licensor OMG Holdings Pte Ltd is a Singapore registered company in the business of, *inter alia*, business management, providing consultancy services, advertising solutions and services.

The Malaysian licensee Pos Ad Sdn Bhd provides advertising media services to various product and brand owners for marketing of their products and goods in supermarkets and hypermarkets across Malaysia. It is a pioneer of the in-store advertising business in Asia, and, in particular, Malaysia.

In 1993, the licensee began sourcing for hardware to complement its well-established in-store advertising business. This resulted in discussions and negotiations with the licensor for the two companies to work together.

At that time, the licensee understood that the licensor had been granted "exclusive rights" under a licence agreement (the "Master Licence Agreement") with a well-known Canadian company, ActMedia Canada Inc ("ActMedia Canada", now known as News Marketing Canada), to market certain products and programmes for the in-store advertising of goods in supermarkets, personal care stores and mass merchandisers in Asia (the "ActMedia Products").

In any event, on or about 1 July 1993, the Malaysian licensee entered into a licence agreement with the licensor for the rights to use certain ActMedia products for the in-store marketing of consumer package goods in Malaysia.

In due course the licensor and the licensee entered into a varied licence agreement on 1 July 2004 (the "2004 Licence Agreement").

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In particular, the 2004 Licence Agreement contained a Clause 9.3, which stated that:

“Upon the termination of this Agreement... the Licensee shall retain no rights to the Licensed System or any part thereof, all such rights having been deemed to have been surrendered to the Licensor. For the avoidance of doubt, the Licensee hereby agrees that upon the termination of this Agreement, it will refrain from making use of the Licensed System, or any part thereof, or anything resembling or similar to the said system.”

The above-mentioned ‘Licensed System’ is defined in Recital 2 of the 2004 Licence Agreement merely as “the Name, Licensed Marks and Licensed Products”.

Both the High Court and the Court of Appeal found that Clause 9.3 of the 2004 Licence Agreement was invalid because it was an unreasonable restraint on the licensee’s freedom to trade.

In particular, the High Court Judge found that the definition of the Licensed System was “vague and amorphous”, and observed that:

“...the term ‘Name’ was not defined. The term ‘Licensed Marks’ was vaguely defined as ‘various logos and intellectual property’ without further specification.Tellingly, under cross examination [the licensor’s witness] admitted that he was not entirely sure what was covered by the terms ‘Licensed Marks’ and ‘Name’ as they were not clearly defined in the 2004 Agreement.”

The Court therefore held that the Appellant “cannot attempt to protect mere ideas in such a draconian manner”.

Further, the High Court Judge found that as Clause 9.3 purported to prohibit the licensee from engaging in “anything resembling or similar to the said system”, it had the effect of restricting the licensee from participating in the in-store

advertising business altogether, and was therefore too wide to be reasonable.

The Court therefore granted the declaration sought by the licensee, that the said Clause 9.3 of the 2004 Licence Agreement was invalid.

Furthermore, the said restrictive covenant was drafted such that it was to restrain the licensee in perpetuity and on a worldwide basis. The Court agreed that such a clause was unreasonable and cannot be upheld.

The Court adopted the test set out in the Court of Appeal decision of CLAAS Medical Centre Pte Ltd v. Ng Boon Ching [2010] 2 SLR 386 (“CLAAS”) as follows:

“44 **Therefore, all covenants in restraint of trade are prima facie void.** However, they can be held to be valid if the party seeking to rely on the restrictive covenant can show that, **firstly, the clause concerned is reasonable in the interests of the parties and, secondly, the clause is also reasonable in the interests of the public. Additionally, there must be a legitimate proprietary interest to be protected.** As was held in *Man Financial*, **the court will only enforce the covenant if it goes no further than necessary to protect the legitimate interests.** There cannot be a bare and blatant restrict of the freedom of trade – see the Privy Council decision of *Vancouver Malt and Sake Brewing Company, Limited v Vancouver Breweries, Limited* [1934] AC 181 (on appeal from the British Columbia Court of Appeal). Moreover, even where a legitimate proprietary interest is shown the court will ensure that the covenant in restraint of trade goes no further than what is necessary to protect the interest concerned.” [Emphasis added]

The reality of the situation is that if Clause 9.3 is found to be enforceable, the licensee will not be able to carry out business in respect of the “Licensed System, or any part thereof, or anything resembling or similar to the said system” despite the fact that the scope of the “Licensed System, or

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any part thereof, or anything resembling or similar to the said system” is not defined clearly in the Agreement. Since the definition of the scope of products or ideas within the “Licensed System” itself cannot be determined with any certainty, it would also be impossible to determine whether any of the licensee’s existing products resemble or are similar to the “Licensed System”. The uncertainty of the scope of the “Licensed System” is therefore precisely why Clause 9.3 would unreasonably restrain the licensee’s trade.

The underlying justification for a restraint of trade clause is that parties’ legitimate or proprietary interests may be protected from competition. This was the reason why the restraint of trade clause in CLAAS was found to be unreasonable as the scope of the clause extended past the goodwill for which the appellants had paid for protection. The Court of Appeal held at [56] and [57] that:-

“56 What the Appellant is entitled to protect is the possibility, and indeed the evidence showed that it was a probability, of the Appellant losing diehard customers of the Respondent to him in the event that he is permitted, and not restrained, to resume medical practice in this area after leaving the Appellant. The Appellant had legitimate proprietary interests which should be protected. However, there is no need, indeed no justification whatsoever, to prevent the Respondent from engaging in other forms of aesthetic medicine for which he had not developed a clientele when he sold the business/practice to BCNG Holdings and in turn to the Appellants. The specific cases/ examples of aesthetic medicine constituted the legitimate aspects of goodwill which the Appellant had paid for and which should be protected and nothing more:

... moderately invasive medicine in the process of laser and permanent hair reduction, photorejuvenation by lasers and intense pulsed light machines and such, pigment management by lasers, acne control via special skincare

specific to [the Appellant] and [BCNG’s] range and lasers, mesotherapy of body and face...

57 Accordingly, we hold that the very last part of the definition of “aesthetic medicine” is wider than necessary to protect the legitimate interests of the Appellants...”

[Emphasis added]

The Court in OMG’s case agreed that Clause 9.3 is also not reasonable in the interests of the public, since the effect of its limitless time and geographical scope as well as the vague and amorphous definition of the “Licensed System” will effectively grant the Appellants a virtual monopoly in the in-store advertising business in Malaysia. This would not be in the public interest of encouraging the freedom of trade and allowing the public a choice of products, and would result in the freedom of contract being disproportionately upheld over and beyond the freedom to trade.

Conclusion

As with many licensing arrangements, they come to an end after a period of time. It will be productive at the point of commencement of the licensing arrangement, to likewise prepare for and anticipate events at the time of termination. To mitigate against the risk of disputes, it will certainly help to define clearly within the licence agreement, activities that the licensee cannot carry out which would damage the licensor’s interest. Licensors should exercise caution that in drafting clauses to restrict the licensee from using the licensed technology, or other materials and intellectual property post termination of the licence agreement, the parties ought to be precise in defining what materials are to be returned to the licensor and what activities are not to be undertaken by the licensee in competition against the licensor. Restrictive covenants should be reasonably limited in the territories (and not world-wide), and be limited to no longer than reasonably necessary to protect the licensor’s legitimate interest to develop business either by itself or through a new licence agreement with another licensee.

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Submission of Articles

We are always looking for articles and news within the LES area of interests. If you would like to contribute, please submit your articles to either:

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