

**Report Q203**

in the name of the Singapore Group  
by Teresa O'CONNOR

**Damages for infringement, counterfeiting and piracy of Trademarks**

**Questions**

**I) The state of the substantive law in the countries**

- 1) *The Groups are invited to indicate, in summary form, if their national law distinguishes between different kinds of infringement, counterfeiting and piracy of trademarks and what the conditions are for liability for those different kinds of infringement, counterfeiting and piracy.*

*The Groups are also invited to indicate if these various forms of the violation of trademark rights have an impact on the monetary compensation to be provided to the trademark owner.*

The Singapore Trade Marks Act 1998 (Cap. 332) does not include any specific reference to "piracy".

However, both "infringement" and "counterfeiting" are referred to in the Singapore Trade Marks Act.

The Singapore Trade Marks Act does refer to "counterfeiting" in the context of the offence-making provisions (a person who counterfeits a registered trade mark is defined in Section 46 as being a person who either makes a sign identical to/so nearly resembling a registered trade mark as to be calculated to deceive or falsifies a genuine registered trade mark).

Additionally, the offence-making provisions also contain reference to "false application of a registered trade mark to goods or services".

It is understood that the scope of Q203 does not extend to criminal provisions of the trade marks law. However, "infringing goods" under the Singapore Trade Marks Act may be regarded as being "counterfeit goods" if the sign borne by them or their packaging is a counterfeit trade mark.

The civil infringement provisions are geared towards "use" of a registered trade mark without the consent of the registered proprietor. There is a distinction between primary infringers and secondary or contributory infringers. Secondary infringers who apply the sign to goods or to packaging of the goods are deemed not to infringe if the person applying the sign either did not know or did not have any reason to believe that the proprietor or a licensee did not consent to such application. Such a person would be liable for infringement only where he has the necessary mens rea. On the other hand, the primary infringer e.g. the trader who sells the goods under the offending mark, is liable for infringement even where he does not know that he is committing infringement.

The conditions for occurrence of civil trade mark infringement are that a person must use, without the consent of the proprietor, in the course of trade, a sign which is either identical or similar to the registered trade mark in relation to goods or services that are either identical

or similar to those for which the mark is registered. If the sign or the goods or services are not identical but merely similar then the proprietor must show that there exists a likelihood of confusion. If however the mark and the goods or services are identical, then liability results without further proof.

A person uses a sign if he applies it to the goods or packaging; offers or exposes goods for sale, puts them on the market or stocks them for those purposes under the sign, or offers or supplies services under the sign, imports or exports goods under the sign, uses the sign on an invoice, wine list, catalogue, business letter, business paper, price list or other commercial document or uses the sign in advertising.

However, a person applies a sign to material used or intended to be used for labelling or packaging goods, or who uses it on any document described above or in advertising, is deemed not to use the sign if at the time of such application or use, he either did not know or had any reason to believe that the proprietor did not consent to such application or use of the sign.

In the case of a registered mark which is "well known", infringement occurs if a person, without the consent of the proprietor, uses in the course of trade, a sign which is identical with or similar to the trade mark in relation to goods which are not similar to those for which the trade mark is registered, and there exists a likelihood of confusion on the part of the public because of such use; and the interests of the proprietor are likely to be damaged by such use.

The Singapore Trade Marks Act does contain provisions concerning remedies and reliefs which differentiate between infringements which involve the use of a counterfeit trade mark and those which do not i.e. where merely infringing goods are involved. Generally speaking, the types of relief that the Court may grant include (a) an injunction (b) damages (c) account of profits. However, where the infringement involves the use of a counterfeit trade mark, the Court may in addition award statutory damages. Statutory damages are damages (i) not exceeding SGD\$100,000.00 for each type of goods or service in relation to which the counterfeit trade mark has been used; and (ii) not exceeding in the aggregate SGD\$1 million, unless the plaintiff proves that his actual loss from such infringement exceeds SGD\$1 million.

- 2) *The Groups are asked to present in a summarised form the legal theories in their respective jurisdictions for the assessment of damages for the violation of trademark rights.*

*Is this assessment based on the ground of civil liability or on the ground of violation of property ownership or some other ground(s)?*

Assessment is based on the ground of civil liability.

- 3) *The Groups are asked to indicate what factors are taken into account in the assessment of damages and how the value of the trademark is used in this assessment.*

- a) *Do the Courts take into consideration how strong the trademark is, both in terms of its inherent distinctiveness and popularity acquired through use and publicity?*

It is possible for the Court to take into consideration such factors only in cases of infringement involving the use of a counterfeit trade mark where statutory damages may be claimed by the proprietor.

- b) *Do the Courts take into consideration the investment made by the trademark owner in order to make the trade mark known?*

This is potentially only possible where statutory damages are applicable.

- c) *Do the Courts consider what direct effect the infringing activity has had on the trademark proprietors profitability? If so, how?*

Again, this is potentially only possible where statutory damages are applicable.

- d) *Do the Courts take into account price erosion? If so, how?*

Only where statutory damages are applicable.

- e) *Do the Courts distinguish between actual lost sales ( i.e; the sales which would otherwise have been made by the trademark owner) and all sales made by the infringer? If so, which sales matter?*

These would be treated separately in that under the head of remedy damages, the Court would consider the sales lost by the registered proprietor. On the other hand, under the head of remedy account of profits, the Court considers the sales made by the infringer. In a case where statutory damages is applicable, the Court may add both of these pecuniary measures together.

As stated above, the Singapore Trade Marks Act provides that the types of relief that the Court may grant in an action for an infringement are an injunction, damages, an account of profits and in any case of infringement involving the use of a counterfeit trade mark, statutory damages.

The Court may also make an order directing the defendant to erase, remove or obliterate the offending sign from the infringing goods and materials, and in the event that this is not reasonably practicable, the Court may order the destruction of the infringing goods. In addition, if the Court feels that the defendant may not comply with such an order, the Court may order that those goods be delivered to such person as the Court may direct for erasure, removal or obliteration, or for destruction, as the case may be.

In awarding damages, the Act provides that the Court may also make an order for an account of any profits attributable to the infringement that have not been taken into account in computing the damages. Otherwise, the types of relief are mutually exclusive.

Where an action for infringement of a registered trade mark involves the use of a counterfeit trade mark, the plaintiff shall be entitled, at his election, to (a) damages and an account of profits attributable to the infringement that have not been taken into account in computing the damages; (b) an account of profits; or (c) statutory damages not exceeding SGD\$100,000 for each type of goods or service in relation to which the counterfeit trade mark has been used; and not exceeding in the aggregate SGD\$1 million unless the plaintiff proves that his actual loss from such infringement exceeds SGD\$1 million.

In awarding statutory damages, the Court is to have regard to the flagrancy of the infringement, any loss that the plaintiff has suffered or is likely to suffer by reason of the infringement, any benefit shown to have accrued to the defendant by reason of the infringement, the need to deter other similar instances of infringement, and all other relevant matters.

When the provisions relating to statutory damages were being introduced into Singapore trade mark laws in 2004, the Minister of Law explained to Parliament that the assessment of statutory damages was on "compensatory principles".

- f) *Do the Courts treat parallel imports differently? If so, what is the legal basis for this differentiation?*

Generally speaking, parallel imports are not an infringement under Singaporean trade mark law.

However, if infringement has occurred, there is no difference in the way the Courts would treat them in the context of damages except it should be noted that parallel importing would not normally involve the use of a counterfeit trade mark and thus the plaintiff would not be entitled to elect for statutory damages.

4) *In case the compensation is evaluated on the basis of lost profits of the trademark owner or an account of the profits arising from infringement:*

a) *What are the key principles?*

There is no pertinent jurisprudence in Singapore. Normally, infringement actions are determined in two parts, the first part determining liability for infringement and non-pecuniary remedies. As to damages, account of profits and/or statutory damages, these are normally determined separately by a Registrar. There are no published decisions which assist in setting out the principles.

b) *How are the profits defined and how are they calculated?*

It seems that the defendant would be permitted to deduct the costs and expenses in order to arrive at net profits. For this reason, most plaintiffs in Singapore would avoid asking for an account of profits since most defendants would try to show that they in fact made losses.

c) *What shares of the profits are attributed to the trademark owner and any licensees?*

Where an action for infringement relates to an infringement in respect of which the proprietor and an exclusive licensee have or had concurrent rights of action – the Court when assessing damages, ordering an account of profits or awarding statutory damages, shall take into account (i) the terms of the licence; and (ii) any pecuniary remedy already awarded or available to either of them in respect of the infringement; and (b) subject to any agreement between them, the Court may (i) assess the damages or award the statutory damages due to each of them according to the losses suffered or likely to be suffered by him as a result of the infringement; or (ii) apportion between them the profits due to each of them according to what is attributable to the infringement of his rights. This applies whether or not the proprietor and the exclusive licensee are both parties to the action and if they are not both parties the Court may give such directions as it thinks fit as to the extent to which the party to the proceedings is to hold the proceeds of any pecuniary remedy on behalf of the other. These provisions shall have effect subject to any agreement to the contrary between the exclusive licensee and the proprietor.

d) *Does the strength of the trademark come into play in apportioning the profits?*

There is no express provision.

5) *In case the monetary compensation is assessed on basis of a royalty,*

a) *How is the royalty rate fixed?*

b) *Do the Courts consider whether the mark in question is one which is or was available for licence? If so, how does this affect their analysis?*

Not applicable.

6) *The Groups are asked to summarise what information in relation to the unlawful activities causing the violation of the trademark can be obtained by the trademark owner in administrative or judicial proceedings in order to assess the level of monetary compensation.*

Upon judgment being awarded in favour of the plaintiff, the plaintiff would then be able to apply for an order of discovery against the defendant relating to all relevant financial

information concerning the dealings in the infringing or counterfeit goods. Once the defendant has complied with the order for discovery, the plaintiff would then decide whether to opt for damages or an account of profits.

- 7) *One of the forms of the prejudice suffered by the trademark owner through the infringement is the damage to the trademark in a reputational sense (diluting exclusivity). The Groups are invited to report if this form of prejudice is considered by the Courts and what are the factors that are used in their evaluation?*

This would be relevant where the infringement concerns a registered trade mark which is well known in Singapore. A condition for infringement is that the interests of the proprietor must be likely to be damaged by the infringement. It is contemplated that general damages would include such factors as a loss to the exclusivity or reputation enjoyed by the well known mark. However, there are not so far any reported cases which deal with this point.

- 8) *The Groups are also asked to indicate if the moral/wilful element of the violation of a trademark right, and particularly the will to profit or gain from counterfeit activities (where the goods do not originate from the trademark proprietor or are not marked with his consent) is taken into consideration in the evaluation of the damages and/or the account of profits. If so, what are the consequences?*

*The Groups are also asked to indicate if ignorance of the trademark and/or ignorance of the infringement is taken into consideration in the evaluation of damages or the account of the profits.*

*Finally, is the scale of the counterfeiting or piracy an additional element which influences the assessment of damages and/or account of the profits? If so, what are the consequences?*

The Court is to have regard to the flagrancy of the infringement, the need to deter other similar instances of infringement and all other relevant factors (imprecise and indefinite) where a plaintiff has elected for statutory damages in a case involving the use of a counterfeit trade mark.

- 9) *Is the evaluation of damages based on the same principles in cases where the infringement also constitutes a violation of a contractual obligation, for example, a violation of a licence?*

For primary infringers, ignorance or lack of mens rea does not affect a finding of infringement and there is nothing in the Singapore Trade Marks Act which directs the Court to take into account the innocence of the infringer where normal infringing goods are concerned.

- 10) *The Groups are also invited to explain the problems and practical difficulties that the trademark owners face in the assessment of the damages and/or account of the profits for the violation of trademark rights?*

No.

- 11) *In some cases the national law may provide, as a remedy for the violation of the trademark right, for the confiscation of the products bearing the illicit sign.*

*If this applies in their national law, the Groups are asked to indicate, if this confiscation influences the evaluation of the damages.*

In a claim for damages, a plaintiff would be expected to prove that its business has suffered. It is not usually practical or easy as to how this may be done, especially where the plaintiff has not in fact suffered a loss in sales or profits.

As regards account of profits, the difficulty lies in that most defendants would seek to minimise revealing true information regarding the financial position concerning the goods dealt in.

- 12) *The Groups are asked to indicate if the jurisprudence in their countries is a useful source of information and comparison on the assessment of monetary compensation for the violation of the trademark rights.*

*In this context, the Groups are invited to indicate if they are satisfied with the degree of certainty in their laws on evaluation of the compensation.*

In general the Courts would not order disposal or delivery up of infringing goods if other remedies would be adequate to compensate the plaintiff and protect his interest. However, if the infringement involves the use of a counterfeit trade mark, the plaintiff is entitled to apply to the Court for an order of destruction and the Court shall make such order unless it is of the view that there are exceptional circumstances which justify the refusal of such an order.

- 13) *The Groups are finally asked to explain any other issues related to the topic which would appear useful in the examination of the question.*

In most cases, the assessment of monetary compensation is decided through a Registrar's hearing and the process of decision is not published. Therefore, there is little guidance afforded by jurisprudence. In general, plaintiffs are generally most interested to secure an injunction and the amount of damages or monetary compensation secured is very often settled through negotiation.

## **II) Proposals for the future harmonisation**

- 1) *The Groups are requested to indicate if the evaluation of damages for violation of the trademark rights should be the subject of the international harmonisation and if this harmonisation should be undertaken through an international treaty.*
- 2) *The Groups are requested to indicate what should be, based on their national experience, the harmonised system for the evaluation of damages for violation of the trademark rights.*
- 3) *The Groups are invited to make any other suggestions about possible future developments of the present question.*

Generally it is felt that the need for international harmonization is not critical. Given different circumstances and practicalities existing in different markets and countries, the types of remedies and penalties available for infringement may be understood to differ somewhat from one country to another.

## **Summary**

The Singapore trade marks law endeavours to allow the Courts to award enhanced remedies against infringers engaged in actual production of counterfeited trade mark signs. This recognises that in certain circumstances, infringement may be innocent. However, an innocent infringer is not exempt from payment of damages.

Generally speaking, less attention is paid to the issue of compensatory damages in Singapore, than the primary goal of obtaining an injunction against the infringement. In particular, in cases where the offending sign is only similar to the registered trade mark, the plaintiff would primarily wish to obtain a ruling that the offending sign constitutes an infringement, and recovery of damages may be secondary. Also, a successful plaintiff is often more intent in ensuring that it recovers a high award of party and party costs against the defendant so as to defray its legal costs of pursuing the action, rather than in maximising the amount of damages, since this is quite often small given the relatively small size of the market and the difficulties of discovering the actual degree of damages or profits.