

**Final Report**  
**Review of Singapore’s IP Dispute Resolution Framework**

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## EXECUTIVE SUMMARY

1. The effective enforcement of intellectual property (“IP”) rights is crucial if IP rights-holders are to fully extract the value of their IP portfolios. A system that facilitates this will in turn support the creation of a “hive” of IP activities in Singapore and Singapore’s vision of becoming a global IP Hub in Asia.
2. Presently, Singapore is ranked fourth in the world and top in Asia for IP protection, according to the World Economic Forum’s Global Competitiveness Report 2015/2016. The World Justice Project Rule of Law Index which examines accessibility, impartiality, and effectiveness of alternative dispute resolution mechanisms also ranks Singapore as the top country in Asia for the rule of law<sup>1</sup> and top three in the world for civil justice.<sup>2</sup>
3. As part of the Government’s IP Hub Master Plan, MinLaw in 2015 appointed this Committee to review the IP dispute resolution framework in Singapore. The two objectives of the review are:
  - (a) Enhancing access to our IP dispute resolution system, particularly for individuals and small and medium-sized enterprises (“SMEs”); and
  - (b) Positioning Singapore as a choice venue for IP dispute resolution in Asia.
4. Both objectives are clearly important to Singapore’s goals of developing an innovation-driven economy and establishing itself as a global IP Hub in Asia. Both objectives serve the Singapore public interest. That said, as was noted in Chief Justice Sundaresh Menon’s speech at the Opening of the Legal Year in 2016, the two objectives pull in different directions, which complicates the task. The first objective is centred on individuals and SMEs. The second objective looks towards international IP disputes which often involve large multinational corporations. The second objective fits well with Singapore’s recent initiatives to establish itself as a centre for international commercial dispute resolution. With this in mind, and taking note of the key role of the Singapore International Commercial Court (“SICC”) in the second objective, the Committee focused its review on enhancing access to justice in the field of IP for individuals and SMEs. The promotion of Singapore as a choice venue for IP dispute resolution in Asia and beyond is discussed but only in broad brush strokes since this is a matter that covers a very large swathe of issues that will require consultation with many different stakeholders.

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<sup>1</sup> [http://worldjusticeproject.org/sites/default/files/roli\\_2015\\_0.pdf](http://worldjusticeproject.org/sites/default/files/roli_2015_0.pdf) (Last accessed 28 June 2016), at p 20.

<sup>2</sup> *Supra*, at p 30.

## ENHANCING ACCESS TO THE IP DISPUTE RESOLUTION SYSTEM PARTICULARLY FOR INDIVIDUALS AND SMES

5. The Committee had regard to the following key considerations in reviewing the IP dispute resolution system, with the aim of enhancing its accessibility:
  - (a) Cost. Quality IP dispute resolution should be affordable, even for less well-resourced parties.
  - (b) Standing and repute of forum. The standing and repute of the forum for IP disputes are important considerations particularly for international cases. The Committee recognised that the High Court is well-placed to deliver IP judgments that meet the expectations of the international community. That said, we underscore the point that the focus of our discussions was on the demands and legitimate expectations of individuals and SMEs in Singapore.
  - (c) Building of IP jurisprudence. A strong body of IP jurisprudence is an important element of establishing Singapore as an IP dispute resolution hub in Asia. It is also important for encouraging the development of “domestic” or home-driven IP-related commercial, business, entrepreneurial, research and development activity.
  - (d) IP dispute resolution frameworks in other major jurisdictions. The Committee had regard to the IP dispute resolution systems in other jurisdictions with considerable experience in managing and adjudicating IP cases, with the view to adopting best practices in those jurisdictions.
6. The Committee’s main recommendation is the establishment of a standalone IP Division within the High Court, managed by its own Divisional Registry, which will consolidate most IP matters, particularly IP infringement matters, in the High Court. Currently, all infringement disputes relating to registered IP rights must begin at the High Court while disputes relating to non-registrable IP rights may begin at the State Courts if they come within its monetary jurisdictional limit. The IP Division will have a new “fast track” which will allow parties to have disputes resolved more quickly and at proportionate cost, alongside the existing High Court procedures (re-named the “normal track”). This proposed structure hopes to achieve the balance between access to justice and the continued development of our IP jurisprudence.
7. The Committee agreed that the discussion on increasing IP jurisprudence was not about encouraging IP litigation for its own sake. Instead, bearing in mind Singapore’s national goal of developing an innovation-driven economy, the development of Singapore’s reputation for IP jurisprudence and the enhancement of efficient and fair dispute resolution procedures for all classes of IP litigants would serve the national goal.

8. The intention is that the IP Division will be headed or managed by a dedicated judge (“**Managing Judge**”). The primary responsibility of the judge will be to hear cases on the new “fast track”, from the case management conference up till and including trial. Crucially, the judge will play an active case management role for cases on the “fast track”, to ensure that cases are dealt with in an expeditious manner without materially compromising fairness and justice. In addition, he will also have oversight over all matters before the IP Division, including cases on the “normal track”. The Committee agreed that the Managing Judge must have the necessary experience of trial work so as to meet the demands and goals of the “fast track” procedure. Given the relatively small existing IP caseload, flexibility in the assignment of IP cases (“fast track” and “normal track”) is important. To this end, the Managing Judge, as circumstances permit or require, will also hear IP cases on the normal High Court track as well as other non-IP cases. Similarly, Judges designated as specialist IP Judges of the High Court may also hear cases on the new “fast track”. Indeed, a mix of IP caseload (“fast track” and “normal track”) is likely to be conducive to the overall development of the Supreme Court’s IP expertise.
9. The “fast track” will have the following features:
  - (a) Cap on costs. This would lower the business risk of litigation, since the cap acts as an assurance that the costs a losing party would have to pay would not exceed a pre-defined amount.
  - (b) Cap on recoverable damages. This would ensure that cases of appropriate value will benefit from the active case management procedures on the “fast track”.
  - (c) Early active case management. This will allow cases to be managed in a just and proportionate way, with procedures that are streamlined and cost-effective.
  - (d) Cap on length of trial. This will reduce the time and costs for parties.
10. The role of mediation, expert determination and early neutral evaluation in the context of the proposed new IP Division in the High Court was also considered. The conclusion reached was that whilst mediation should be encouraged at an early stage, it should not be made compulsory for parties on the “fast track” of the IP Division, as this may have the unintended effect of prolonging proceedings in court. This detracts from the main objective of ensuring a shorter time to trial. However, the use of mediation will be encouraged where appropriate, in particular, on the “normal track”, as is currently the practice.

11. In addition to structural reforms, the Committee also recommends that the Intellectual Property Office of Singapore (“**IPOS**”) be given the power to issue formal copyright opinions which can be admissible in court as legal opinions. However, these should not be binding on the courts. In the area of patent proceedings at IPOS, the Committee recommends that pre-grant third party observations be formalised, and that binding post-grant re-examination proceedings be introduced with the necessary safeguards.

## WIDER STRATEGIC OUTCOMES

12. In relation to positioning Singapore as a choice venue for IP litigation, the Committee noted issues relating to justiciability and arbitrability of IP disputes (especially those which relate to validity of registered IP rights) as well as the importance to Singapore of broadening its regime for the cross-border enforceability of court judgments arising from IP disputes, both in relation to the types of IP disputes and the number of jurisdictions. To this end, the Committee noted the potential benefits brought about by Singapore’s ratification of the 2005 Hague Convention on Choice of Court Agreements, as well as the amendments to the Rules of Court to include an *in personam* intellectual property right dispute as a claim falling within the SICC’s jurisdiction. The Committee also noted that Singapore should explore ways of increasing the visibility and accessibility of Singapore court judgments.
13. The Committee also recognised that a large number of international IP disputes are resolved through mediation and arbitration. To support efforts to attract such alternative dispute resolution (“**ADR**”) cases to Singapore, Singapore should provide clarity on the arbitrability of IP disputes, as well as continue to build IP ADR expertise. The Committee noted and encourages efforts by MinLaw and the relevant dispute resolution agencies (e.g. the SICC and Singapore International Arbitration Centre (“**SIAC**”)) to raise awareness and promote the use of the full suite of dispute resolution options in Singapore by overseas parties.
14. The Committee also noted that this Report and recommendations are concerned with strategic directions. Implementation of the recommendations for a new IP Division with a dedicated Managing Judge and “fast track” procedures will require detailed consultations with all interested stakeholders. The Committee recognised that there will be costs involved in implementing the recommendations. It also recognised that it does not have the benefit of empirical studies on the demands and needs of individual and SME IP rights owners in Singapore. That said, the Committee accepted that as a matter of principle, reforms or measures intended to keep IP litigation costs under control is a worthy objective in its own right. Indeed, the Committee acknowledges and supports the work being undertaken by MinLaw’s Civil Justice

Review Committee chaired by Senior Minister of State, Ministry of Law, Ms Indranee Rajah S.C., and the Supreme Court Civil Justice Commission under the chair of Justice Tay Yong Kwang. The Committee accepts that its own recommendations on IP dispute resolution procedures are but part of the broader reforms being considered in relation to litigation as a whole.

# SECTION 1

## INTRODUCTION

### 1.1. SINGAPORE AS AN INTELLECTUAL PROPERTY HUB IN ASIA

- 1.1.1. Any legal right that cannot be effectively adjudicated upon and expeditiously enforced becomes illusory in practice. Modern legal systems therefore strive to provide rights-holders with access to a speedy, cost-proportionate and just means of dispute resolution and enforcement. This concern is even sharper in relation to rights in IP given that these are a form of intangible property right. They are *choses in action*. The intangible and inexhaustible nature of IP makes infringement and abuse possible on an unparalleled scale when contrasted to infringement of traditional rights in physical property. An effective dispute resolution and enforcement framework is therefore crucial to the continuity of the IP life-cycle and essential for rights-holders to safeguard the commercial value of their IP portfolios.<sup>3</sup> Its existence is a precondition to attracting innovative businesses, and IP holders and creators to Singapore, which will in turn strengthen Singapore's bid to become a hub for regional and global IP activity.
- 1.1.2. The Government has acknowledged the importance of a robust dispute resolution and enforcement framework. In May 2012, it appointed an IP Steering Committee chaired by Mr Teo Ming Kian to formulate an IP Hub Master Plan. The aim of the plan was to establish Singapore as a global IP hub in Asia. One of the three strategic outcomes the plan identified was the development of Singapore's IP dispute resolution framework.
- 1.1.3. IP registrations have grown steadily in Singapore at a compound annual growth rate of 6.1% between 2011 and 2014.<sup>4</sup> This sustained growth in IP filings and activity paves the way for the subject of this Report: enhancing Singapore's position as a centre for IP dispute resolution.

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<sup>3</sup> For example, by preventing third-parties from producing and selling products that infringe IP rights.

<sup>4</sup> The volume of trade mark registrations in force has grown from 298,099 in 2010 to 385,146 in 2014, with a compound annual growth rate (CAGR) of 6.7%. The volume of granted patents in force has grown from 43,591 in 2010 to 47,422 in 2014, with a CAGR of 2.1%. The volume of registered designs in force has grown from 11,730 in 2010 to 14,587 in 2014, with a CAGR of 5.6%. See also *Record Strong Growth in IP Filings*. <https://www.ipos.gov.sg/MediaEvents/Readnews/tabid/873/articleid/336/category/Press%20Releases/parentId/80/year/2016/Default.aspx> (Last accessed 28 June 2016) where it is reported that there had been a surge in Global IP filings and the development of the global knowledge economy; see also [http://www.wipo.int/export/sites/www/ipstats/en/docs/infographics\\_systems\\_2015.pdf](http://www.wipo.int/export/sites/www/ipstats/en/docs/infographics_systems_2015.pdf) (Last accessed 28 June 2016).

## 1.2. OBJECTIVES OF THIS REVIEW

- 1.2.1. This Committee was appointed by the Ministry of Law (“**MinLaw**”) in 2015. It is chaired by Justice George Wei, and comprises academics, IP practitioners, in-house counsel, members of the judiciary and Government representatives. Its full composition is set out in **Appendix A** to this Report.
- 1.2.2. We were tasked to produce a report with our recommendations in accordance with the following terms of reference:
- (a) Identify areas where Singapore’s IP dispute resolution framework can be enhanced, in keeping with developments in international standards and practices;
  - (b) Make recommendations on how we can improve access to our IP dispute resolution system, particularly for individuals and SMEs; and
  - (c) Make recommendations on how Singapore can be positioned as a global IP dispute resolution hub in Asia.
- 1.2.3. We directed our focus primarily at a synthesis of the first two terms of reference: how to enhance access to Singapore’s IP dispute resolution system with especial attention to individuals and SMEs. This focus arose from concerns expressed to IPOS by stakeholders in IP-related sectors that access to IP dispute resolution was being impeded by rising barriers of cost and complexity. These stakeholders suggested that the current dispute resolution framework was in need of reform to facilitate greater access to it. While empirical evidence was not readily available, the feedback received from stakeholders was a clear indication of the need for review. Furthermore, the reduction of cost and complexity is undoubtedly a desideratum of our legal system, and striving for it must be correct as a matter of general principle.
- 1.2.4. Our secondary focus was on the third term of reference.<sup>5</sup> The remarks we make in this Report on this aspect are, however, tentative as they are brief. Developing Singapore into a global IP dispute resolution hub is, in our view, a matter that will require further deliberation and consultation with stakeholders on a scale beyond the time and resource horizon of our work. We nonetheless provide our provisional views on the opportunities and challenges that will present themselves to Singapore in her bid to become a global IP dispute resolution hub in Asia.

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<sup>5</sup> See above at 1.2.2 (c).

- 1.2.5. Before proceeding with the rest of this introductory section in which we provide a skeleton outline of the existing IP dispute resolution framework in Singapore, we begin with two prefatory remarks.
- 1.2.6. First, we are conscious that mounting litigation costs is a concern that pervades civil disputes in general. It is in turn connected at a more fundamental level to access to justice, which is an ideal that undergirds our entire legal system. Cost concerns are therefore not unique to IP cases. The IP dispute resolution framework will indeed benefit from the anticipated recommendations for reform of the broader civil justice system from MinLaw's Civil Justice Review Committee and the Supreme Court's Civil Justice Commission.
- 1.2.7. There is a view, however, that there are characteristics peculiar to IP litigation that warrant a more focused and detailed consideration. These characteristics may be passed over by the more expansive and far-reaching investigation of the Civil Justice Commission or other comparable analyses of civil procedure. These include the unique jurisdictional rules that apply to IP disputes, which primarily allocate the appropriate forum based on the *nature* of the IP right in the suit rather than the value of the claim, the latter being the prevalent approach in general civil disputes.
- 1.2.8. Second, it became apparent to us in our deliberations that there was an undeniable tension between both the primary and secondary focuses of this Report. Different segments of court users each prioritise different values. The interests of a Singaporean manufacturer producing for local distribution may vary substantially from – to the point of being in opposition to – those of “big pharma” or the technology giants.
- 1.2.9. Individuals and SMEs may have as their dominant concern cost-proportionality and efficiency. They may thus value “rough but quick justice” over a detailed and tightly-reasoned court judgment, which may only be possible with time for deliberation and reflection, and with the aid of extensive and well-researched submissions. On the other hand, cost may play a less central role in the calculus of the international IP actor. For these entities, the proceedings in one jurisdiction may have an outcome that can have far-reaching ramifications on the certainty of their rights and the value of their portfolios globally. They may thus desire a persuasive and instructive court decision, one which will stand up to scrutiny in the courts of other jurisdictions. These divergent priorities each stake competing claims on how best the IP dispute resolution framework should be structured. We have, in this Report, sought to achieve a balance between these objectives.

### 1.3. SINGAPORE'S EXISTING IP DISPUTE RESOLUTION FRAMEWORK

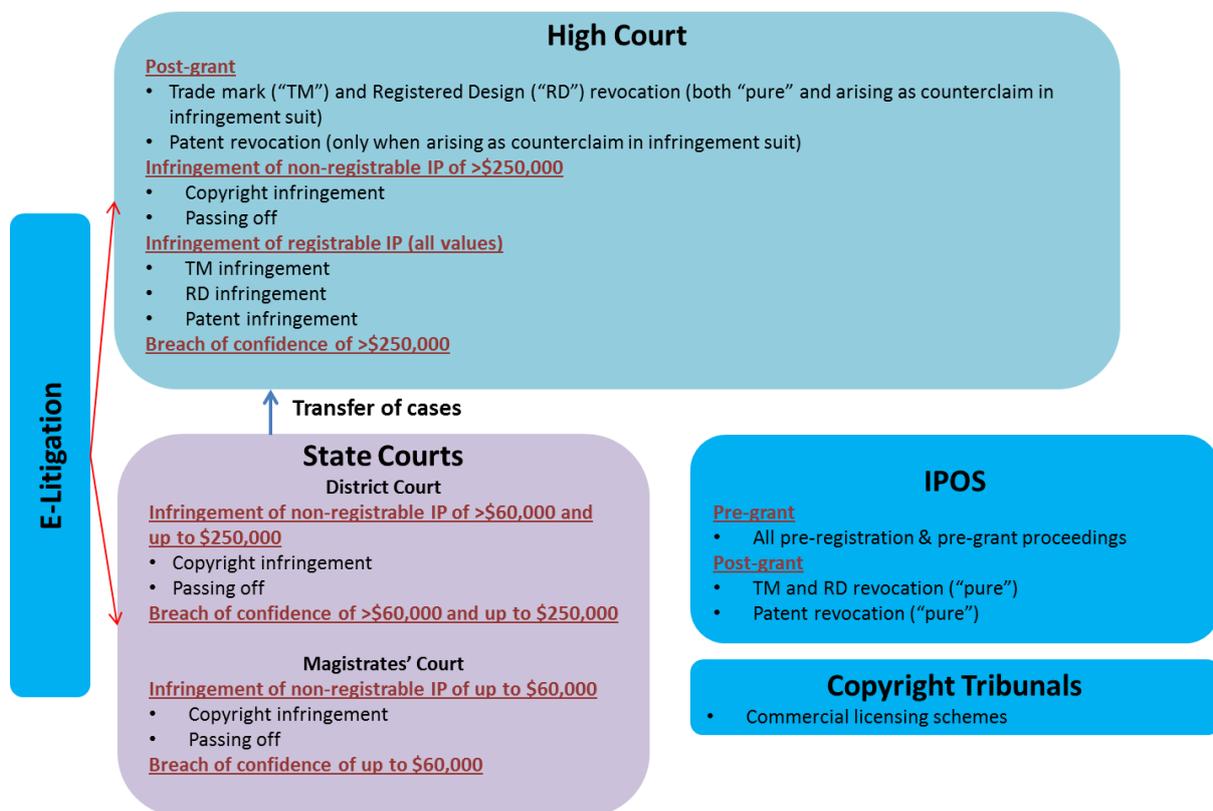
- 1.3.1. We focus on two broad areas of Singapore's IP dispute resolution framework in this Report: the processes and the institutions.
- 1.3.2. In respect of processes, the same rules of civil procedure apply to IP disputes as they do to general civil litigation. IP cases run the full gamut of interlocutory and pre-trial procedures. The adversarial approach is given full vent. Parties are given a wide berth to conduct litigation in a manner which they deem suitable or appropriate. They are permitted to file requests for particulars or discovery, and to call experts to establish technical or abstract points that are in dispute. In patent litigation, there is an additional mode of establishing facts by experimental proof.
- 1.3.3. While party-led litigation is a cornerstone of our legal system, this may be unsatisfactory because of peculiarities in IP litigation which tend to make the shortcomings of the adversarial process more pronounced. IP disputes often involve myriad technical details that are susceptible to repeated and extensive requests for particulars and discovery. While some of these requests may provide clarity and throw light on the issues in dispute, they can also be used tactically, to oppress and deplete the resources of the other party. Expensive and time-consuming expert evidence is frequently relied on in patent and trade mark litigation, often not to the best (if any) effect.<sup>6</sup> The upshot is that the cost and time taken to resolve contentious IP proceedings are difficult to predict with certainty, and can easily escalate out of hand.
- 1.3.4. In respect of institutions, a confluence of three factors creates a maze of labyrinthine jurisdictional rules for IP litigants that will benefit from simplification.
- 1.3.5. First, there is the presence of multiple fora. IP proceedings may be filed in: (i) the High Court; (ii) the District or Magistrates' Courts (which we hereinafter refer to collectively as the "**State Courts**"); or (iii) IPOS. Second, there is the allocation of jurisdiction between these fora, which is based primarily on the *nature* of the IP right in suit or the *type* of proceeding, rather than the value of the claim. The value of the claim, however, still remains relevant in certain circumstances. Third, there is the practical reality that in many IP disputes, claims involving different IP rights (which

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<sup>6</sup> See, for example, *Han's (F & B) Pte Ltd v Gusttimo World Pte Ltd* [2015] 2 SLR 825, where the court disregarded in its entirety evidence of the plaintiff's expert that the defendant's use of an allegedly infringing trade mark caused confusion. See also Professor David Llewelyn, *The Use of Experts in Legal Proceedings in Singapore Involving Intellectual Property Rights*, (2013) 25 SAclJ 480 arguing that courts must be vigilant in ensuring in IP cases that expert evidence is allowed only when it is clearly of assistance to them in their role as the ultimate arbiter on questions of law.

are each subject to different fora and jurisdictional rules) are frequently mounted *together* and in the alternative.

1.3.6. The cumulative effect of these three factors is a complex institutional dispute resolution scheme with, in practice, heavily intersecting and overlapping grounds of jurisdiction (this is depicted in graphical form in **Figure 1** below). Whilst it has been said that any confusion arising from the “complexity” is readily dealt with by professional advice, the point that has been made is that individual and SME IP owners are sometimes deterred by the complexity in bringing claims. This complexity is apparent in the few common categories of IP disputes and the relevant considerations for determining the appropriate forum in which they should be brought, which we set out below.



**Figure 1: Singapore’s Existing IP Dispute Resolution Framework**

1.3.7. **Infringement of non-registrable / registrable IP rights.** Both the High Court and State Courts have jurisdiction over actions for the infringement of *non-registrable* IP rights (e.g. copyright infringement, passing off, breach of confidence). The choice between both courts will, as with all other civil claims, depend on whether the value of the claim is in excess of \$250,000 (the current jurisdictional limit of the District Court). The exception is where rights over the layout designs of integrated circuits are

concerned. These rights, although non-registrable, fall within the exclusive jurisdiction of the High Court. In contrast, actions for infringement of *registrable* IP rights are subject to the High Court's exclusive jurisdiction regardless of whether the value of the claim is above or below \$250,000. The point that is underscored is that some IP actions will involve a mix of registered and unregistered IP rights.

- 1.3.8. **Post-grant / post-registration disputes other than infringement (registrable IP rights only)**. Both the High Court and IPOS have jurisdiction over an action for the revocation of *trade marks* and *registered designs*, as well as for a declaration of invalidity of *trade marks*.<sup>7</sup> Standalone applications for *patent* revocation, on the other hand, must be brought before IPOS at first instance.<sup>8</sup> But where revocation is raised as a counterclaim in an infringement suit, or sought as a relief in an application for a declaration of non-infringement, then only the High Court, and not IPOS, has jurisdiction.
- 1.3.9. **Pre-grant / pre-registration disputes (registrable IP rights only)**. IPOS has exclusive jurisdiction over *pre-grant* and *pre-registration* disputes relating to registrable IP rights.<sup>9</sup>
- 1.3.10. **Trade secrets / breach of confidence**. Both the High Court and the State Courts have jurisdiction over proceedings involving *trade secrets* and *breaches of confidence*. The choice between both will in turn rest on the quantum of the claim in suit.
- 1.3.11. **Appeals**. Most decisions of IPOS may be appealed directly to the High Court,<sup>10</sup> as may decisions of the State Courts. For decisions of the State Courts, further appeal to the Court of Appeal arising out of the High Court judge's decision on appeal is only

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<sup>7</sup> Trade mark revocation is typically sought for non-use of a trade mark (although there are also other grounds on which a trade mark can be revoked), whereas trade mark invalidation, patent revocation and registered design revocation are typically sought to remove the registration or grant of IP right from the register on the basis that the IP right should not have been registered or granted in the first place.

<sup>8</sup> This appears to be the intent of the relevant legislation, based on the statement of then-Minister for Law (Prof. S. Jayakumar) at the second reading of the Patents Bill on 21 March 1994 (*Hansard*, Vol. 62, Column:1447): "Other important matters covered by the Bill include disputes concerning the validity of patents. Under the present system, these disputes are heard in the High Court. Under the new system, the disputes will be decided by the Singapore Registry, thus reducing litigation costs." However, it should be noted that there is conflicting case authority on this point, and that academic texts also differ on the issue.

<sup>9</sup> Applications for determination, before grant, of questions on entitlement to patents, under Section 20(7) of the Patents Act (Cap. 221, Rev. Ed. 2005) (hereinafter, "Patents Act") may be referred to the High Court if the Registrar of Patents declines to deal with them.

<sup>10</sup> Some decisions of IPOS, for example, interlocutory decisions in trade mark applications that do not terminate the proceedings are currently non-appealable. See s 75, Trade Marks Act (Cap 332, Rev. Ed. 2005) (hereinafter, "Trade Marks Act"). This section was amended recently, with effect from 10 July 2016, to allow some interlocutory decisions of IPOS to be appealable, namely, those which terminate any matter concerning a trade mark or an application for a trade mark.

permitted with leave.<sup>11</sup> For IPOS' trade mark decisions, it appears that leave is not required for a further appeal to the Court of Appeal arising out of the High Court judge's decision on appeal.<sup>12</sup> For IPOS' decisions on patents, section 90(3) of the Patents Act (Cap 221) has reference. First-instance decisions of the High Court on the substance of the dispute are ordinarily appealable to the Court of Appeal.

1.3.12. **Specialist proceedings.**<sup>13</sup> The Copyright Tribunal is a quasi-judicial body that resolves disputes between licensors who are in the business of collectively administering copyright licences and users of copyright materials, in respect of licence terms and rates, questions of equitable remuneration, and the allocation of royalties.

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<sup>11</sup> Section 34(2) of the Supreme Court of Judicature Act (Cap 322, Rev. Ed. 2007) provides that the following matters require leave before a further appeal may be brought:

(a) where the amount in dispute, or the value of the subject-matter, at the hearing before the High Court (excluding interest and costs) does not exceed \$250,000 or such other amount as may be specified by an order made under subsection (3);

(b) where the only issue in the appeal relates to costs or fees for hearing dates;

(c) where a Judge in chambers makes a decision in a summary way on an interpleader summons where the facts are not in dispute; or

(d) where a Judge makes an order specified in the Fifth Schedule, except in such circumstances as may be specified in that Schedule. (The Fifth Schedule further provides that certain orders, e.g. where a judge makes an order giving security for costs, refusing a stay of proceedings, summary judgment, setting aside a default judgment, etc.)

<sup>12</sup> There is no express legislation or case law on this point, but this appears to be accepted in practice, for example, in the recent case of *Staywell Hospitality Group Pty Ltd v. Starwood Hotels & Resorts Worldwide, Inc.* [2014] 1 SLR 911.

<sup>13</sup> In addition to the Copyright Tribunal, it should be noted that the Director-General of Customs (in the Ministry of Finance) is also empowered under certain provisions of the Trade Marks Act and Copyright Act (Cap 63, Rev. Ed. 2006) (hereinafter, "Copyright Act") to seize potentially infringing goods at the border. See Trade Marks Act Part X and Copyright Act, Part V, Division 6.

## SECTION 2

### PROPOSED NEW IP DISPUTE RESOLUTION FRAMEWORK

#### 2.1. CONSIDERATIONS INFLUENCING REFORM

- 2.1.1. Before setting out the details of our recommendations, it will be helpful to first set out the considerations that influenced them.
- 2.1.2. The first of these is cost-proportionality. There are both institutional and process aspects to this consideration. From the institutional perspective, costs are currently driven up because of the jurisdictional bias in favour of the High Court. Proceedings touching on registrable IP rights are funnelled into the exclusive jurisdiction of the High Court regardless of the sum in dispute. While the State Courts have jurisdiction over copyright, passing off and breach of confidence claims (subject to the monetary value of the claim), in practice, many of these are also brought in the High Court either because they are tagged to claims over which the High Court has exclusive jurisdiction, or because the claim *quanta* is inchoate at the point of commencement (as is often the case in infringement actions) and therefore the parties, out of caution, may choose to file the suit in the High Court. This bias in favour of the High Court results in parties pursuing litigation in what is regarded as a more expensive forum relative to the State Courts.
- 2.1.3. Where processes are concerned, upward pressures are exerted on costs because the proceedings are left largely to the conduct of parties. There are often times repetitive, duplicative and costly applications in the pre-trial phase. Expert evidence and proof by experiment are sometimes employed as a matter of course, without thought as to its usefulness and relevance.<sup>14</sup> It is not uncommon for parties to call experts to attest to the inventiveness of a design, or the distinctiveness of a mark. Yet these are legal questions that lie within the sole province of the judge. An otherwise pedestrian or forgettable mark does not acquire any more distinctiveness from having an eminent expert give evidence saying that it has. These features of the civil procedure applied in general civil disputes may detract from a speedy and cost-proportionate resolution of the dispute.
- 2.1.4. The second operative consideration is simplicity. The rules governing the forum in which an IP dispute is brought are complex, and the variety of IP claims may potentially straddle the jurisdiction of the High Court, the State Courts, IPOS and the Copyright Tribunal. While this variety of options may pose only a small impediment,

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<sup>14</sup> See the excellent treatment of this topic in David Llewelyn, “*The Use of Experts in Legal Proceedings in Singapore Involving Intellectual Property Rights*” (2013) 25 SAclJ 40.

or may even be a boon to parties acting through counsel, it may create a real barrier to an individual or SME that can ill afford legal representation.

- 2.1.5. The third and final consideration is the standing of our courts and the quality of Singapore IP jurisprudence. To build confidence in our court system for both local and international IP users, a critical mass of sound judgments that emanate from the High Court or Court of Appeal can form a powerful jurisprudential backbone. This third consideration is one that reaches beyond the concerns of the immediate parties to any dispute. Strengthening Singapore’s IP jurisprudence should not be about increasing or attracting IP litigation for its own sake; rather it will help build confidence and attract investment in knowledge-driven industries. This is a goal that is aligned with Singapore’s overall objective of pushing innovation and entrepreneurial activity in Singapore.

## 2.2. THE APPROACHES IN OTHER JURISDICTIONS

- 2.2.1. With these considerations in mind, we turn to the IP dispute resolution systems in jurisdictions abroad: the United Kingdom, Germany, the United States, and Australia. Each of these jurisdictions has had considerable experience in managing and adjudicating IP cases. Through this examination, we were able to tap vicariously on their collective experience in addressing the same or similar problems.

### (A) The United Kingdom

- 2.2.2. The UK Intellectual Property Enterprise Court (“IPEC”) is a specialised court within the Chancery Division of the High Court of England and Wales. The design of the IPEC is specific to IP disputes and its procedures are tailored to address the cost concerns of SMEs. The IPEC imposes caps on the amount of costs the winning party may be awarded at £50,000,<sup>15</sup> and limits the amount of damages a party may recover at £500,000.<sup>16</sup>
- 2.2.3. The IPEC is overseen by a Presiding Judge (at present, Mr Richard Hacon) who has extensive experience in IP litigation.<sup>17</sup> The judges in the IPEC take proactive roles in

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<sup>15</sup> UK Civil Procedure Rules (“UK CPR”), Part 45, Section IV, [45.31].

<sup>16</sup> UK CPR, Part 63, Section V, [63.17A].

<sup>17</sup> IPEC is a development of the Patents County Court (“PCC”). The latter was established in 1990 as a forum where simpler cases could be dealt with under a less costly and streamlined procedure. In 2010 new procedural rules were introduced. His Honour Colin Birss who has a degree in metallurgy and material science was appointed as the Judge of the PCC. His Honour was called to the Bar in 1990 and was appointed standing counsel for the Comptroller General of Patents, Trade Marks and Designs in 2003. In 2008 he was made Queen’s Counsel. In 2010, he was appointed as the Judge of the Patents County Court and Chairman of the Copyright Tribunal. In 2013, he was appointed as a Judge of the Chancery Division of the High Court. Richard Hacon was appointed as

the management of their cases and are given broad case management powers under Part 63 of the UK Civil Procedure Rules, which applies specifically to IP claims.<sup>18</sup> Case management decisions may be appealed against, but are usually unsuccessful because of the great margin of deference the UK Court of Appeal gives to the first-instance judge with carriage of the dispute. Pleadings in the IPEC are expected to set out a sufficient amount of detail at the outset, and trials are usually limited to 2 days.<sup>19</sup> The basic rule is that no evidence, disclosure or written submissions may be filed in a case unless the judge permits.<sup>20</sup> Further details on the UK IPEC may be found at **Appendix D**.

## **(B) Germany**

- 2.2.4. The German courts that hear patent disputes are known for their speed and quality. Trials usually take place within a year from the initial filing of the complaint. This is made possible by two factors. First, the technical and legal expertise on the bench means that the court does not usually require expert evidence because it “*typically relies on its own depth of technical insight and experience to render its decision*”.<sup>21</sup> Second, the absence of a procedure for broad document discovery keeps proceedings short and costs low. Parties often choose only one or two features of the claim to dispute, and no depositions are allowed in evidence. Parties present all the evidence in support of their claims and statements in the form of exhibits, and this is the extent of material that the court relies on. There is no cross-examination. Further details on the German patent litigation system may be found at **Appendix E**.

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his successor. The 2010 rules meant that much more detail was required in the statement of claim, the procedure as a whole was streamlined further (discovery, no examination in chief of expert witness, tighter control of the issues) and financial limits were introduced to both the damages (at £500,000) and the legal costs (at £50,000, with an additional cap per stage) recoverable. Trials should last no more than two days. In 2013, the PCC was reformulated as a specialist list of the High Court as the Intellectual Property Enterprise Court (IPEC). Richard Hacon was appointed as Presiding Judge of IPEC on 3 December 2013. His Honour Judge Hacon also has a science background. As a practitioner he acted in all aspects of IP including biotechnology and chemical patents. He appeared frequently as counsel at all levels of English courts as well as at the European Court of Justice, European Court of First Instance and the European Patent Office. He was counsel in *Starbucks (Hong Kong) Ltd and others v British Sky Broadcasting Group plc* [2015] UKSC 31 in UK as well as *Samsung Electronics (UK) Limited v Apple Inc.* [2012] EWHC 1882 (Pat) in UK.

<sup>18</sup> UK CPR, Part 63, Practice Direction 63, Section V.

<sup>19</sup> UK CPR, PD 63, Section V, [31.2].

<sup>20</sup> The Intellectual Property Enterprise Court Guide, Issued April 2014, at p 14. Available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/426123/intellectual-property-enterprise-court-guide.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/426123/intellectual-property-enterprise-court-guide.pdf) (Last accessed 28 Jun 2016). See also *Westwood v Knight* [2010] EWPC 16.

<sup>21</sup> Dr Heinz Goddar, Dr jur. Carl-Richard Haarmann, "Patent Litigation in Germany – An Introduction (I)" in China Intellectual Property Global IP Magazine, Feb 2013, at 71.

### (C) The United States

2.2.5. In the US, several new procedures were introduced under the America Invents Act to allow third parties the opportunity to challenge patents before the US Patent and Trademark Office's Patent Trial and Appeal Board. These petitions – the *inter partes* review procedure in particular – have been popular, with some 3,418 petitions filed as at 11 June 2015.<sup>22</sup> Obtaining an *inter partes* review still requires considerable expense,<sup>23</sup> but since the US permits contingency fee arrangements, that is an option a putative plaintiff may rely on to fund its litigation. A plaintiff may alternatively sell off its patent to a non-practicing entity for a fee, to insure against the risk of losing the lawsuit. Further details on the US patent litigation system may be found at **Appendix F.**

### (D) Australia

2.2.6. Several amendments have been made to address the cost of IP litigation in Australia under the IP Laws (Raising the Bar) Amendment Act of 2012. The amendments essentially enlarged the jurisdiction of the Federal Circuit Court, which is an inferior court of record, and administrative bodies such as the Administrative Appeals Tribunal and IP Australia. This obviates the need for IP disputes to originate in the Federal Court of Australia, which is a superior court of record. In addition, the Federal Circuit Court Rules were amended to ensure that the court: (i) operates informally; (ii) is guided by streamlined processes; and (iii) encourages the use of appropriate ADR procedures.<sup>24</sup> Further details on the Australian IP litigation system may be found at **Appendix G.**

## 2.3. OUR PROPOSAL FOR STRUCTURAL REFORM<sup>25</sup>

2.3.1. There were two main contenders for the most suitable way to reform the court structure to make it more accessible to IP disputants. The first entailed expanding the jurisdiction of the State Courts to include proceedings relating to rights in registrable IP. This would address the present jurisdictional bias in favour of the High Court. Allowing the State Courts to hear disputes concerning registered IP rights

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<sup>22</sup> [http://www.uspto.gov/sites/default/files/documents/aia\\_statistics\\_06-11-2015.pdf](http://www.uspto.gov/sites/default/files/documents/aia_statistics_06-11-2015.pdf) (Last accessed 28 June 2016).

<sup>23</sup> We understand that the USPTO fees alone are US\$23,000 and the entire case can cost between US\$300,000 to US\$500,000.

<sup>24</sup> R 1.03 of the Federal Circuit Court Rules 2001.

Available at [http://www.austlii.edu.au/au/legis/cth/consol\\_reg/fccr2001262/s1.03.html](http://www.austlii.edu.au/au/legis/cth/consol_reg/fccr2001262/s1.03.html) (Last accessed 28 June 2016).

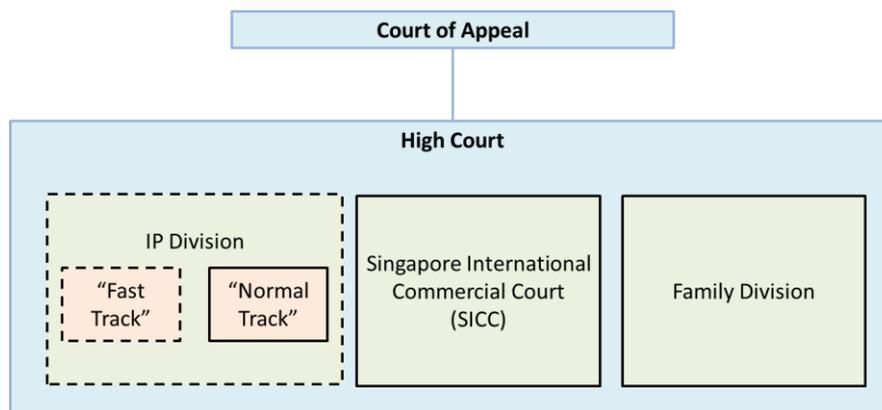
<sup>25</sup> The terms “fast track”, “IP Division” and “Managing Judge” are provisional terminology for working purposes only, and may be subject to change upon implementation.

(within the normal financial limits) would in turn provide some relief from the rise in the cost of IP litigation.

- 2.3.2. This solution did not eventually find favour with us for two reasons. First, there already is IP expertise in the High Court. The High Court has maintained a specialist IP List since 2002, and that List is staffed by Judges with focused expertise and experience in IP and technical matters. Second, while decisions of the State Courts on IP matters can have considerable impact as is well demonstrated by the decision of the District Court in *Virtual Maps v Singapore Land Authority* [2007] SGDC 216, the court hierarchy and the principle of *stare decisis* attribute greater weight to a judgment based solely on the bare fact that it is one of the High Court or Court of Appeal, as opposed to one of the District or Magistrates' Courts. In order to build a critical mass of judgments with strong precedential value, it may be preferable for the High Court to continue hearing the bulk of IP cases.
- 2.3.3. We instead recommend the establishment of a dedicated IP Division within the High Court. As a general rule, all IP proceedings will be consolidated and heard in the IP Division. Cases within the IP Division will proceed on either of two tracks: the "normal track", on which proceedings will be conducted much like they presently are on the IP list, or a special "fast track", which will prioritise speed and cost-proportionality. Cases on the "fast track" will be subject to more rigorous court control, with stricter limitations on the length of proceedings, and caps on the costs and damages recoverable. The essential idea is to create a nuanced two-track approach that may accommodate different priorities of court users. The "normal track" will give disputants with "financial muscle" greater control and the rigour of a full (standard) trial, while the "fast track" presents cost-sensitive parties with a "truncated" set of proceedings geared towards cost-proportionality.
- 2.3.4. We settled on this proposal for five reasons. First, it carries the elegance of simplicity by bringing together the majority of IP cases to be managed and heard under one juridical roof. Second, the "fast track" adequately addresses the main objection to grouping all IP cases in the High Court – the likelihood of higher costs. The "fast track" with truncated proceedings and caps on the costs and damages claimable will keep costs down and give parties certainty as to their financial exposure in the legal proceedings. Third, an increased uptake of cases entering the High Court will present it with greater opportunity to develop and add to local IP jurisprudence. It will also increase the incidence of cases reaching the Court of Appeal, because substantive decisions of the High Court are generally appealable to the apex court as of right. Fourth, as we have already alluded to above, it will utilise the specialist experience concentrated in the High Court. Fifth, aggregating all (or most) IP matters in the High Court will not unduly tax its resources. The combined number of IP disputes currently

being heard in the High Court and State Courts is modest, with most of these cases currently being heard by the High Court. To be clear, by “truncated”, the Committee refers only to streamlined procedures and caps on costs and so forth.

2.3.5. **Figure 2(a)** below shows the structure of the new IP Division and situates it within the organisational structure of the Supreme Court. The diagram below reflects the High Court’s three specialist divisions and does not reflect the other specialist lists within the High Court.<sup>26</sup> The sub-sections that follow discuss the prominent features of the proposed new IP Division as well as the “fast track”.



**Figure 2(a): Structure of New IP Division**

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<sup>26</sup> These include: Building and Construction, Shipbuilding and Complex Technical Cases, Finance, Securities, Banking, Complex Commercial Cases, Company, Insolvency and Trusts, Arbitration, Shipping and Insurance, Tort Claims. See: <http://www.supremecourt.gov.sg/about-us/the-supreme-court/structure-of-the-courts> (Last accessed 29 June 2016).

## 2.4. FEATURES OF THE IP DIVISION

### (A) Jurisdiction

- 2.4.1. All IP matters will be transferred to and consolidated for hearing within the IP Division of the High Court, with three exceptions. First, matters over which IPOS currently has jurisdiction. Second, cases involving trade secrets or breaches of confidence, which should continue to be heard by the State Courts where the quantum in dispute is within its jurisdictional limit. Third, cases involving criminal prosecutions for IP-related offences, which will also be heard by the State Courts.
- 2.4.2. We set out below the jurisdiction of each of the three available fora (the High Court’s IP Division, the State Courts and IPOS) taking into account the proposed structural changes, and the explanation for each of these exceptions.
- (i) Matters within the exclusive jurisdiction of the IP Division
- 2.4.3. **Infringement for all types of IP.** Presently, the High Court only has exclusive jurisdiction over disputes relating to infringement of registrable IP rights (e.g. patents, trade marks, registered designs, plant varieties). Infringement of non-registrable IP rights such as copyright may still be dealt with by the State Courts. The proposed new IP Division will have exclusive jurisdiction over all infringement matters, regardless of whether they relate to registrable or non-registrable IP rights, and regardless of the sum in dispute.
- 2.4.4. **Passing Off.** The IP Division will have exclusive jurisdiction over actions for passing off, some of which are currently heard by the State Courts. Passing off is closely related to other IP rights such as trade mark and copyright infringement, and is therefore best consolidated within the specialist IP Division to ensure that its IP expertise grows holistically.
- 2.4.5. **Declarations of Non-Infringement.** The IP Division will have exclusive jurisdiction over declarations of non-infringement of patents and registered designs. Presently, the High Court and IPOS have concurrent jurisdiction over such declarations for patents,<sup>27</sup> but not for registered designs.<sup>28</sup>

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<sup>27</sup> Section 78, Patents Act.

<sup>28</sup> Only the High Court has jurisdiction over declarations of non-infringement for registered designs. Section 42, Registered Designs Act (Cap 266, Rev Ed 2005) (hereinafter, “Registered Designs Act”).

(ii) Matters within the concurrent jurisdiction of the IP Division and either the State Courts or IPOS

- 2.4.6. **IP Division and State Courts: Trade secrets and breaches of confidence.** Actions involving trade secrets and breaches of confidence should continue to remain within the jurisdiction of the State Courts where the claim value is within its jurisdictional limit. This is for two reasons. First, confidential information is not confined to information in the form of trade or business secrets. It can and does include, for example, confidential personal information and other species of confidential information not usually regarded as IP. Second, these two forms of IP engage rights and causes of action common to other non-IP disputes such as employment and business collaboration/partnership disputes. It will not be practical for the IP Division to have exclusive jurisdiction over actions involving trade secrets or breaches of confidence, which are usually one in a slew of other contractual and tortious claims.
- 2.4.7. The concurrent jurisdiction for actions concerning breaches of confidence and trade secrets will ensure that the framework retains sufficient flexibility for such cases to be dealt with in either the High Court or the State Courts as appropriate. That said, where the confidential information claim arises in conjunction with a copyright or patent infringement, then the matter would be placed before the High Court, in view of its exclusive jurisdiction over the infringement claims.
- 2.4.8. **IP Division and IPOS: Post-grant revocation and invalidation of IP rights.** Under the proposed structure, both the IP Division and IPOS will have concurrent jurisdiction over: (i) patent revocation;<sup>29</sup> (ii) trade mark revocation, invalidation and rectification; (iii) registered design revocation; and (iv) plant variety cancellation. The cost of bringing disputes before IPOS, an administrative tribunal with IP expertise, is significantly lower than in the courts. Granting concurrent jurisdiction to both the IP Division and IPOS gives the parties the choice regarding the specialist IP dispute resolution forum in which they would prefer to have their dispute heard. In the UK, there is also concurrent jurisdiction between the United Kingdom IP Office (“UK

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<sup>29</sup> Presently, “pure” patent revocations (that are not part of a counter-claim in an infringement suit or an application for a declaration of non-infringement) are heard at IPOS (there is a grey area in the law on this point). Patent revocation cases that arise as a counter-claim in an infringement suit or an application for a declaration of non-infringement are heard exclusively at the High Court.

IPO”), the UK IPEC and the UK High Court for patent revocation,<sup>30</sup> trade mark revocation and invalidation,<sup>31</sup> and registered design cancellation.<sup>32</sup>

(iii) Matters within the exclusive jurisdiction of IPOS

2.4.9. **Pre-grant / pre-registration and post-grant administrative proceedings.** IPOS should continue to have exclusive jurisdiction over these matters, which include trade mark opposition,<sup>33</sup> post-grant administrative proceedings for patents such as opposition to amendments of patent specifications after grant,<sup>34</sup> opposition to correction of errors in patents and applications,<sup>35</sup> entitlement<sup>36</sup> and inventorship<sup>37</sup> proceedings. IPOS is best placed to deal with these matters given its role as an administrative office.

(iv) Matters within the exclusive jurisdiction of the State Courts

2.4.10. **Criminal proceedings under the Trade Marks Act and the Copyright Act.** The State Courts will continue to hear criminal proceedings relating to IP-related offences. Some of these offences are found under Part VI of the Trade Marks Act (e.g. counterfeiting,<sup>38</sup> falsely applying a registered trade mark to goods or services<sup>39</sup> and importing or selling goods with a falsely applied trade mark)<sup>40</sup> and proceedings under

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<sup>30</sup> Section 72 (Power to Revoke Patents on Application), UK Patents Act 1977 (“UKPA 1977”); Cornish, Llewelyn & Aplin on *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (8<sup>th</sup> Ed) (“Cornish, Llewelyn & Aplin”) at [274]-[275]. The definition of “court” in the UKPA 1977 has been revised to include the Patents County Court (which was renamed to the IPEC). According to Angela Fox, *Intellectual Property Enterprise Court: Practice and Procedure* (Sweet & Maxwell, 2014) (“Angela Fox”) at pp. 16-17, all disputes under the UKPA 1977 must be brought in the Patents (High) Court or on the multi-track in the IPEC.

<sup>31</sup> UK CPR part 63.13; Kerly’s *Law of Trade Marks & Trade Names* (15<sup>th</sup> Ed) (Sweet & Maxwell, 2014) (“Kerly’s”) at p 378, [10-151]. “All claims under the [UK TMA 1994] must be brought in the Chancery Division, or a patents county court or certain other designated county courts.” These include the High Court and the IPEC, both of which sit in the Chancery Division (see CPR 63.13).

<sup>32</sup> Section 11, UK Registered Designs Act 1949 (“RDA”) reads: “The registrar may, upon a request made in the prescribed manner by the registered proprietor, cancel the registration of a design.” However, CPR 63.13 provides that “any claim” under the RDA “must be started in” either the Patents Court or the IPEC. Angela Fox takes the view that such matters can be heard at the IPEC (see p 26). However, for plant variety cancellation and suspension, this is under the exclusive purview of the Controller of Plant Varieties. See s 22 and 23 of the UK Plant Variety Act 1997, and UK CPR 63.13 read with UK CPR PD 63, Section II, [16.1].

<sup>33</sup> Section 13, Trade Marks Act.

<sup>34</sup> Section 38(4), Patents Act.

<sup>35</sup> Section 107(2), Patents Act.

<sup>36</sup> Section 20, Patents Act.

<sup>37</sup> Section 24, Patents Act.

<sup>38</sup> Section 46, Trade Marks Act.

<sup>39</sup> Section 47, Trade Marks Act.

<sup>40</sup> Section 49, Trade Marks Act.

Section 136 of the Copyright Act. These proceedings should remain before the State Courts as presently provided by law.

**(B) Leadership and administration of the IP Division**

- 2.4.11. The founding premise of the IP Division is that it will be a *specialised* forum for IP dispute resolution, where judges who are experienced in IP litigation will be able to provide strong case management especially for cases on the “fast track”. The IP Division will therefore be placed under the charge of a dedicated IP Judge, the Managing Judge,<sup>41</sup> who will have extensive experience in IP litigation practice. It is of first importance that the individual acting as the Managing Judge has the necessary trial experience to carry out the responsibilities that the position carries. The qualification and experience profile of the Presiding Judge of the UK IPEC has been referred to earlier.
- 2.4.12. The Managing Judge’s primary function will be to hear all cases on the “fast track”, from the first case management conference until and including trial. He will ensure that cases on the “fast track” are dealt with in an expeditious manner, without materially compromising fairness and justice in the process. The Managing Judge will be given broad case management powers which will, for example, allow him to give directions on whether expert witnesses or experiments are required. It is envisaged that the Managing Judge will also monitor and maintain oversight of cases on the “normal track”. This will ensure that there is consistency in the management of all the cases in the IP Division.
- 2.4.13. Cases in the IP Division will be managed by its own Divisional Registry (the “**IP Registry**”), which will have administrative oversight over all cases in the IP Division. The IP Registry will be overseen by the Divisional Registrar of the IP Division, and will be assisted by a team of Assistant Registrars.
- 2.4.14. The centralised management of both IP tracks by the IP Registry and the oversight of the Managing Judge will improve the flow of cases through the system and ensure that the cases are administered and progressed in a consistent and efficient manner.

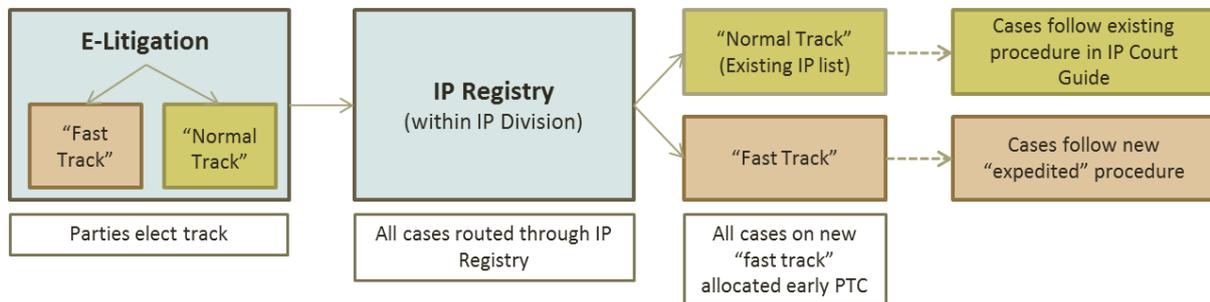
**(C) IP Division case flow**

- 2.4.15. Cases entering the IP Division will be filed electronically through e-Litigation, as is the case for all proceedings commenced in the High Court. The e-filed cases will then be

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<sup>41</sup> Note that “Managing Judge” is a working title for the purposes of this Report. It does not have the same meaning as the Presiding Judge of the State Courts or the Presiding Judge of the Family Justice Courts. The final title will be reconsidered during implementation.

routed to the new IP Registry within the IP Division. **Figure 2(b)** below shows the proposed case flow within the IP Division.



**Figure 2(b): Case Flow within the IP Division**

- 2.4.16. The plaintiff will be required to elect between the “normal track” and the “fast track” at the time it commences and files the action. If the defendant does not object, the case will proceed on the elected track. If the defendant objects, then the Managing Judge will give directions after considering parties’ views. In keeping with the quick and informal nature of proceedings, there will be no need for a formal application to be made by summons. The decision as to the track on which the case should proceed will ultimately rest with the Managing Judge, but he will ordinarily defer to the parties’ agreement on the appropriate track, to the point of giving it conclusive weight.
- 2.4.17. Cases on the “fast track” will be fixed for an early pre-trial conference (“PTC”). At the PTC, the Managing Judge will identify the issues in dispute and give directions for the proper conduct of the case.<sup>42</sup> The defendant’s objections, if any, to the plaintiff’s election of the fast track may be heard and decided upon at this PTC. The Managing Judge will also, as far as is possible, be the trial judge. This will ensure that there is continuity between his case management directions in the lead-up to the trial, and the actual conduct of the trial.
- 2.4.18. Cases on the “normal track”, i.e. existing IP list, will be managed in accordance with the usual practices and timelines adopted by the High Court when dealing with the IP list. The trial judges for cases on the normal track will be the specialist IP Judges (which may also include the Managing Judge).

<sup>42</sup> Similar to what is done in UK IPEC. See UK CPR r 63.23(1), IPEC Guide. S 2.6, Angela Fox, p 145.

## (D) Re-listing

- 2.4.19. There will be rules or Practice Directions governing when a matter listed on the “fast track” may be re-listed on the “normal track”. These rules, rather than setting out a dispositive test for when a matter should be re-listed, will codify a soft set of considerations that the court ought to take into account when considering the question. In the UK, the court, in considering whether a case should be transferred to the IPEC, has regard to: (i) whether a party can only afford to bring or defend a claim in the IPEC; and (ii) whether the claim is appropriate to be determined by the IPEC having regard to the value of the claim (including the value of an injunction), the complexity of the issues and the estimated length of trial.<sup>43</sup>
- 2.4.20. There will be no changes to the existing provisions governing transfers between the State Courts (District and Magistrates’ Courts) and the High Court for civil cases.<sup>44</sup>

## (E) Appeals

- 2.4.21. The structure for appeals from decisions made in “fast track” cases will have to be considered and refined further. Under the current civil procedure framework, appeals against *interlocutory* decisions of the High Court are generally permitted as of right, save in certain enumerated circumstances where leave is required, or no appeal is allowed.<sup>45</sup> The effect is that some interlocutory decisions made by the Managing Judge in “fast track” cases may not be appealable. This may be a welcome consequence because the case will then proceed swiftly towards a decision on the merits without delay. The relevant rules may alternatively be amended so as to provide that there shall only be appeals from the substantive decision of the Managing Judge.
- 2.4.22. These issues will need to be addressed in greater detail at the implementation stage, in consultation with the relevant stakeholders as necessary.

## (F) Legal representation

- 2.4.23. The status quo will be preserved for the rules governing legal representation on the “fast track”. Natural persons will be allowed to represent themselves as litigants-in-person. Companies should be represented by advocates unless the court gives leave otherwise under O 1 r 9 of the Rules of Court.

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<sup>43</sup> UK CPR r 63.18, read with CPR r 30.5. See in particular CPR Practice Direction 30(9.1).

<sup>44</sup> Sections 54A – G of the State Courts Act, Cap. 321 (Rev Ed 2007). Under these provisions, a party may make an application for a case to be “transferred up” or “transferred down”. For transfers down, the higher court may do so of its own motion as well. The decision maker is always the higher court.

<sup>45</sup> See Section 34 and Fourth and Fifth Schedules of the Supreme Court of Judicature Act (Cap 322, Rev Ed 2007).

- 2.4.24. IP courts in Germany, Australia and the UK permit the parties to be represented by patent and trade mark agents who may not be legally qualified. That approach, however, may be unsuitable for Singapore at the present time. The patent and trade mark agent professions in those jurisdictions are, unlike in Singapore, well-developed with a long history and extensive experience in patents and trade marks.
- 2.4.25. The possibility of representation by patent or trade mark agents in Singapore may be reconsidered when the profession has reached a suitable level of development.
- 2.4.26. A further issue that will have to be considered, worked out and refined if felt desirable, is whether local in-house counsel should be permitted to represent their employer companies in cases assigned to the “fast track”. By local in-house counsel what is meant are counsel who have been admitted as advocates and solicitors in Singapore, or who are at the very least qualified persons. On one hand, permitting in-house counsel to appear in court may save that party the costs of legal representation. But this must be balanced against the likelihood of the costs of the proceedings being driven up on a whole, on account of the in-house counsel’s unfamiliarity with litigation and the court processes. We note that representation of corporations by in-house counsel is already provided for in the Small Claims Tribunals at the State Courts.<sup>46</sup> This is a matter which will have to be given fuller consideration in the implementation phase (if necessary) in close consultation with relevant stakeholders.

**(G) Procedural rules and “fast track” matters**

- 2.4.27. If the broad recommendations of this Report are accepted it will be necessary, at the implementation stage, to consider formulation of specialist procedural rules to guide the Managing Judge in the conduct and control of “fast track” cases. The formulation of these rules must be consistent with and undertaken in conjunction with the wider procedural reforms being considered by the Ministry of Law and the Supreme Court. Examples of areas/matters that will need to be considered include: (i) the pleadings and statement of each party’s case; (ii) the process of discovery (such as to limit discovery to material referred to in the parties’ statement of cases and supporting affidavits); (iii) third party proceedings; (iv) the number of witnesses; (v) whether and when oral evidence (whether in chief or cross-examination) is permitted; (vi) whether and when expert evidence is permitted. The goal of efficient case management and efficient disposal of matters on the “fast track” by giving strong

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<sup>46</sup> Section 23(2)(c), (d), (e) of the Small Claims Tribunals Act, Cap. 308 (Rev. Ed. 1998).

case management powers to the Managing Judge must also take into account the need for certainty and procedural predictability for the parties.

## **2.5. FEATURES OF THE “FAST TRACK”**

2.5.1. While the preceding sub-section dealt with the prominent features of the IP Division, this sub-section deals specifically with features of proceedings on the “fast track”.

### **(A) Cap on costs**

2.5.2. Cases on the “fast track” will be subject to a statutory cap on the amount of party-and-party costs that are recoverable in a case. This will lower the business risk of litigation for individuals and SMEs. The exact figure for the cap will be determined at the implementation stage in consultation with the relevant stakeholders, including the Law Society of Singapore.

### **(B) Cap on damages**

2.5.3. In addition to the cap on costs, there will also be a statutory cap on the amount of damages recoverable or the amount of profits that may be called to account in cases on the “fast track”. This may be waived by agreement of all parties, should they wish to benefit from other features of the “fast track”. Before deciding on the precise amount of this statutory cap, it will be useful to consider the average amount of damages awarded in IP disputes before the courts after the assessment of damages, if such information is available. The quantum will be subject to further discussion at the implementation stage, and will be decided after consultation with the relevant stakeholders, including the Law Society of Singapore.

### **(C) Early and active case management**

2.5.4. As indicated above, cases on the “fast track” will be governed by a new set of procedural rules to allow early and active case management by the Managing Judge (or the IP Judge assigned the case). One of the most effective ways to reduce the amount of time spent (and consequently, costs incurred) in litigation is for the judge to have tighter control over the litigation process. The procedural rules will give the judge more power and latitude to provide case management directions. He will be able to restrict the extent to which interlocutory skirmishing is permitted and advance the case to an early trial, for example, by:

- (a) ordering early and transparent disclosure of all facts, arguments and important documents in the pleadings;<sup>47</sup>
- (b) identifying issues that will have to be resolved in the substantive dispute;<sup>48</sup>
- (c) instating a general default rule that no evidence, written submissions and arguments are allowed to be filed in the case or cross-examination to be made, except as allowed by the judge;<sup>49</sup> and
- (d) excluding the usual rules on disclosure and inspection.<sup>50</sup>

2.5.5. The new “fast track” will deal with cases in a just and proportionate way, with procedures that are streamlined and cost-effective. The parties will be expected to co-operate to achieve this objective, and approach these new procedures with a dose of realism. For example, unnecessarily lengthy submissions and cross-examination should be avoided.

2.5.6. The State Courts have also implemented a set of simplified procedures for low value claims in the Magistrates’ Court (below S\$60,000).<sup>51</sup> These procedures feature upfront disclosure of documents, early and robust case management, and curtailed interlocutory proceedings, with a focus on integrating alternative dispute resolution into the process. But the crucial difference is that the objective of the scheme in the State Courts is to bring cases to early *settlement* where possible. By contrast, the objective of the “fast track” is to bring the case to *trial and decision* as soon as possible. Those rules can nevertheless serve as a useful reference as to how active case management can be introduced in the “fast track”.

2.5.7. The detailed proposals for the procedural rules in the “fast track” will be formulated at the implementation stage and as mentioned should dovetail with the broader review of the civil justice system in Singapore, including the work of the Civil Justice Review Committee and the Civil Justice Commission’s work on the Rules of Court for civil litigation.

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<sup>47</sup> UK CPR, Rule 63.20: “a statement of case must set out concisely all facts and arguments upon which the party serving it relies”. See also Intellectual Property Enterprise Court Guide, at [2.5](c), which provides that if a claimant refers to important documents in the particulars of claim, it should file and serve copies of the same in the particulars of claim.

<sup>48</sup> UK CPR, Rule 63.23(1).

<sup>49</sup> UK CPR, Rule 63.23 read with PD 63, Section V, Rule 29.1.

<sup>50</sup> UK CPR, Rule 63.24.

<sup>51</sup> Rules of Court, Order 108.

(D) Cap on the length of trial

- 2.5.8. In order for the “fast track” to achieve its objective of reducing time and costs for the parties, there will be a soft cap on the length of the trial. In the UK IPEC, there is no statutory cap on the length of trial, although the UK Practice Directions<sup>52</sup> state that the court will endeavour to ensure that the trial in such cases lasts no more than 2 days. In practice, this is generally adhered to, save for exceptional circumstances where the facts are unusually complex.<sup>53</sup>
- 2.5.9. For cases on the “fast track”, we recommend that there should be a clear target of no more than 2 hearing days for trial. The trial judge should nonetheless still retain the discretion to extend the trial in exceptional circumstances.

(E) Interlocutory relief

- 2.5.10. It is an open question whether the trial judge hearing cases on the “fast track” should have the power to grant both interlocutory and final relief, like judges hearing “normal track” cases would. These include interlocutory injunctions, Mareva injunctions (freezing orders) and Anton Piller orders (search and seizure orders). The power to grant these forms of relief in the “fast track” and the details thereof will be considered further at the implementation stage, taking into account the broader reforms to civil procedure.

(F) Small claims track

- 2.5.11. Another question was whether there should be a small claims track within the IP Division of the High Court, and if so, whether it should be within the “fast track” or exist as an independent track. We did not recommend this because it was not apparent to us that there are real benefits from creating a separate track when the Managing Judge will be able to achieve the same outcome of moving a case with sufficient speed given the expanded case management powers that he will be given.

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<sup>52</sup> UK CPR, PD 63, Section V, [31.2].

<sup>53</sup> In *Destra Software v Comada* [2012] EWPCC 39, the court described 2 days as “more or less but not exactly a limit” for cases in the IPEC. The court can occasionally accommodate slightly longer trials, but this is the exception rather than the rule. In *Pro-Tec v Specialised Covers* [2011] EWPCC 23, for example, an unregistered design infringement case, the trial was listed for three days due in large part to the unusually complex facts. See *Angela Fox*, at p 270.

## 2.6. ROLE OF ALTERNATIVE DISPUTE RESOLUTION

2.6.1. In this section, we discuss how ADR will dovetail with the two-track IP Division in the High Court. ADR is a permanent feature of Singapore’s legal landscape and, in Singapore, there has been an active and concerted attempt for the court to mandate, if not strongly encourage parties to a dispute to first try and resolve it consensually through mediation. The State Courts’ Court Dispute Resolution initiative, implemented in 1994, conducts mediation involving judge mediators, and has seen considerable success in helping disputants save time and costs in litigation at the State Courts.<sup>54</sup> This successful implementation of mediation in domestic cases is paralleled by Singapore’s push to establish mediation institutions on the international front. The Singapore International Mediation Centre (“**SIMC**”), which provides international commercial mediation services for cross-border disputes, was established just recently in 2015.<sup>55</sup> For IP specifically, the World Intellectual Property Organization Arbitration and Mediation Center (“**WIPO AMC**”) in 2010 set up in Singapore its first and, to date, only office outside Geneva. Together, the WIPO AMC and IPOS have embarked on several IP ADR initiatives, such as a mediation scheme for trade mark disputes before IPOS.<sup>56</sup>

2.6.2. The question for us was the role mediation and other forms of ADR should play in proceedings brought in the IP Division of the High Court.

### (A) Mediation

2.6.3. **“Normal track” cases.** For cases placed on the “normal track” in the IP Division, we propose maintaining the present practice where ADR options are explored and considered at the earliest possible stage such as the Pre-Trial Conference in order to

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<sup>54</sup> Surveys conducted by the Primary Dispute Resolution Centre show that between 2013 and 2014, for example, 95% of the parties and 98% of the lawyers surveyed agreed that mediation has helped them avoid additional legal costs. 100% of the parties surveyed indicated that mediation had reduced the total time they would have spent in court. Taken from a speech by the Honourable Chief Justice at the opening of the State Courts’ Centre for Dispute Resolution and book launch of “Mediation in Singapore: A Practical Guide” (Thomson Reuters), on 4 March 2015, at paragraph 6. See further at: <https://www.statecourts.gov.sg/Lawyer/Documents/State%20Courts%20%20Launch%20of%20State%20Courts%20Centre%20for%20Dispute%20Resolution%20Speech%20on%204%20March%202015.pdf> (Last accessed 1 Jul 2016).

<sup>55</sup> *Supra*.

<sup>56</sup> The Committee has noted that the current WIPO-IPOS Mediation scheme is sufficient to encourage mediation at IPOS, short of making mediation compulsory. To further encourage parties to pursue mediation, IPOS has recently launched an IP Mediation Promotion Scheme, which took effect on 1 April 2016 and which funds parties who opt for mediation in IP disputes up to \$5,500 per mediation case. See further at: <http://www.ipos.gov.sg/Services/HearingsandMediation/ResolvingDisputes/MediationOption.aspx> (Last accessed 1 July 2016) and the press release at <https://www.ipos.gov.sg/MediaEvents/Readnews/tabid/873/articleid/333/category/Press%20Releases/parentId/80/year/2016/Default.aspx> (Last accessed 1 July 2016).

facilitate the just, expeditious and economical disposal of the matter. The Singapore Mediation Centre (“**SMC**”) and the WIPO AMC are both external service providers capable of playing this role. Mediation should be undertaken voluntarily and with the support of both the parties, since the effectiveness of any such attempt at a consensual resolution will depend on how cooperative the parties are, and the parties will ultimately have to bear the costs of the mediation.

- 2.6.4. **“Fast track” cases.** For cases placed on the “fast track”, we recommend that mediation should also be encouraged but not be made compulsory. We do not recommend compulsory mediation because, while a successful mediation can save time and costs for a party, an unsuccessful mediation has the opposite effect of unduly protracting and delaying the progress of proceedings, as the court proceedings are often held in abeyance pending the parties’ attempts to reach a mediated settlement. This is anathema to the notion of a “fast track” system. The Managing Judge should proactively encourage mediation, especially at the early PTC stage, but it should not be made compulsory. At the assessment of damages stage, however, mediation may be given a more pronounced role. With liability determined, parties may be more amenable to settlement, especially in IP cases where the quantification of damages can be a complex, lengthy and costly exercise.

**(B) Early neutral evaluation and expert determination**

- 2.6.5. Under the current rules, there are no provisions governing early neutral evaluation or expert determination in the High Court, although expert determination is available in patent proceedings before IPOS.<sup>57</sup> The current rules only permit the appointment of assessors or experts to assist the court in making its determination.<sup>58</sup>
- 2.6.6. **“Normal track” cases.** We recommend that early neutral evaluation and expert determination be considered as an option for resolving technical disputes that are crucial to the disposition of the entire matter. This is over and above the current system of appointing technical assessors for patent matters. In particular, expert determination should be considered for use at the assessment of damages or when an account of profits is called, particularly in cases that require expert know-how in the computation of royalties, damages or profits.
- 2.6.7. **“Fast track” cases.** As for “fast track” cases, it will not be appropriate to recommend early neutral evaluation or expert determination. This may have the unintended effect of prolonging the proceedings in court, and thus undermine the objective of

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<sup>57</sup> As of 1 April 2014.

<sup>58</sup> Order 32, r 12, of the Rules of Court, read with Order 33 r 4 (assessors) and Order 40 (experts) of the Rules of Court.

reaching trial in the shortest reasonable time frame, to achieve time and cost savings for the parties.

## SECTION 3

### OTHER IP ADJUDICATIVE BODIES

#### 3.1. THE COPYRIGHT TRIBUNAL

- 3.1.1. MinLaw and IPOS also sought our views on the Copyright Tribunal, in particular, on possible reforms to the Copyright Tribunal’s procedures.
- 3.1.2. The Copyright Tribunal was created to “provide an expeditious forum for copyright owners and copyright users to resolve their disputes on issues involving the terms of licences granted such as the fees payable without having to go to the Courts”.<sup>59</sup> The Copyright Tribunal is an independent adjudicative body that offers two advantages over litigation. First, the sitting panel comprises non-lawyers with expertise in relevant areas, such as competition law and policy. Second, the Copyright Tribunal has the flexibility to provide quicker and simpler procedures for dispute resolution.
- 3.1.3. In 2014, MinLaw and IPOS conducted a review of the copyright collective licensing landscape in Singapore and found that licensing rates were recurring sources of friction in the market:
- (a) Business associations complained of unfairness in the manner licensing rates were derived; and
  - (b) Independent creators expressed concern over the lack of clarity as to how their royalties were derived, even after numerous attempts to obtain explanations from the Composers and Authors Society of Singapore (“**COMPASS**”).
- 3.1.4. Despite the high incidence of disputes over licensing rates, the Copyright Tribunal has remained severely under-utilised. It has heard only seven cases and issued four decisions in the 28 years that it has been in existence. Several of these cases were recurring disputes that involved the same parties. MinLaw and IPOS, during closed consultations, identified five issues that prevented wider use of the Copyright Tribunal:
- (a) First, the onerous evidential burden on the applicant in order to prove his case. While the Copyright Tribunal does not adhere strictly to the rules of evidence applicable in court proceedings, the difficulty arises largely due to the absence of market information on specific licensing terms and the unavailability of prevailing licensing rates.

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<sup>59</sup> Second Reading of the Copyright (Amendment) Bill: *Singapore Parliamentary Debates, Official Report* (15 September 2009 ) Vol. 86 at col. 1497 (Assoc. Prof Ho Peng Kee, Senior Minister of State for Law).

- (b) Second, the disproportionate costs and delays associated with proceedings in the Copyright Tribunal.
- (c) Third, the absence of alternative collective management organisations (“CMOs”), which makes licensees reluctant to engage CMOs in adversarial proceedings.
- (d) Fourth, low overall public confidence in and/or public awareness of the Copyright Tribunal.
- (e) The adversarial process adopted in the Copyright Tribunal is not appealing due to the high costs and time commitment involved.

3.1.5. The factors contributing to the under-utilisation of the Copyright Tribunal are, in our view, symptomatic of broader and more complex issues with the current regime on licensing schemes<sup>60</sup> and the regulation of competition. A historical rationale for a statutory system to control licence terms and royalties where licences are centralised into a collective management body such as the Performing Rights Society or COMPASS is the danger of abuse of the market power. We therefore recommend further study into the copyright licensing ecosystem, especially the competition-related aspects, before conceiving of and implementing changes to the Copyright Tribunal. MinLaw and IPOS, with the Competition Commission of Singapore, are better placed to undertake such studies.

## 3.2. COPYRIGHT OPINIONS BY IPOS

- 3.2.1. We also considered if it would be beneficial to confer statutory power on IPOS to issue formal “copyright opinions” on complex areas of copyright law relevant to the general public and, if so, what the legal effect of such copyright opinions should be. These copyright opinions would address current copyright issues where the law is unclear, for example, infringement of copyright in the digital space. These opinions will provide a clear statement of the law or legal position on a particular issue that has not been pronounced on by the courts, without the added costs associated with adversarial litigation.
- 3.2.2. Similar proposals or mechanisms have been implemented in leading IP jurisdictions abroad. The UK IPO has implemented a Copyright Notice service<sup>61</sup> that issues basic guidance that is not legally binding, and which the courts *do not* have a duty to take into account. The United States Copyright Office has a “Fair Use Index” which is a searchable database of court opinions, including by category and type of use (e.g.

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<sup>60</sup> See Part VII of the Copyright Act.

<sup>61</sup> To date, it has issued five such copyright notices. See further at: <https://www.gov.uk/guidance/copyright-notices> (Last accessed 1 Jul 2016).

music, internet/digitisation, parody).<sup>62</sup> In Singapore, IPOS has also issued a “Copyright Notice” on illegal downloading and file-sharing through peer-to-peer (P2P) platforms.<sup>63</sup> The notice was intended to provide basic information to the public which was not intended to be legally binding.

- 3.2.3. While it must follow as a matter of principle that copyright opinions or notices issued by IPOS *cannot* be binding on the court, we recommend that they should nonetheless be admissible as legal opinions. The courts will not have a duty to take the opinion into account, but should instead be permitted to freely evaluate the weight to accord it, much like how the court would approach an *amicus* brief. We did not reach a landing on whether a defendant’s reliance on copyright opinions issued by IPOS should have a mitigatory effect on the damages awarded to the plaintiff, or how it would feature in the defences of innocent infringement or fair use.

### 3.3. OTHER PATENT PROCEEDINGS AT IPOS

- 3.3.1. We also considered whether pre-grant third party observations and post-grant *ex parte* re-examinations for patents should fall within the jurisdiction of IPOS.

#### (A) Pre-grant third-party observations

- 3.3.2. Pre-grant third-party observations are submissions made by non-parties on the patentability of an invention that is the subject of an application before IPOS. The patent examiner may consider these submissions before deciding whether to grant the patent. It is at present possible to submit such observations in writing to the Registrar of Patents, but this is done through an informal process.
- 3.3.3. We recommend that there be a formal procedure for submitting pre-grant third-party observations at IPOS. Almost all major patent offices<sup>64</sup> have in place systems and procedures that facilitate the filing of such third-party observations at the pre-grant or post-grant stages. There is no reason why Singapore should not follow suit, since it is currently the practice to permit it. A formal process will make the system

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<sup>62</sup> <http://copyright.gov/fair-use/index.html> (Last accessed 1 Jul 2016).

<sup>63</sup> Copyright Notice No. 1/2015, issued on 23 April 2015.

See:

[http://www.ipos.gov.sg/Portals/0/about%20IP/copyrights/Copyright%20Notice%20on%20the%20Illegal%20downloading%20and%20File-Sharing%20via%20Peer%20to%20Peer%20\(P2P\)%20Platforms.pdf](http://www.ipos.gov.sg/Portals/0/about%20IP/copyrights/Copyright%20Notice%20on%20the%20Illegal%20downloading%20and%20File-Sharing%20via%20Peer%20to%20Peer%20(P2P)%20Platforms.pdf) (Last accessed 1 Jul 2016).

<sup>64</sup> These are: the European Patent Office (EPO), the Japan Patent Office (JPO), the Korean Intellectual Property Office (KIPO), the State Intellectual Property Office of the People’s Republic of China (SIPO), the United States Patent Office (USPTO) (together known as the “IP5”, handling about 80% of the world’s patent applications), the Intellectual Property Office of the United Kingdom (the UK IPO), IP Australia, Canadian Intellectual Property Office (CIPO), the German Patent and Trade Mark Office (DPMA) and the French National Institute for Intellectual Property (INPI).

open and transparent to all. It can also be a cost-effective way to help ensure the quality of granted patents.

**(B) Post-grant *ex-parte* re-examination**

- 3.3.4. The post-grant *ex parte* re-examination is a process that involves the submission to the Registrar of Patents for examination relevant prior art (and observations, if any) that has come to light subsequent to the grant of the patent. The applicant for re-examination may be the patentee himself or a third party. The process is *ex parte* so the only communication during re-examination is between the patent examiner and the patentee (and not the third party who may have applied for re-examination).
- 3.3.5. We recommend that binding, post-grant re-examination proceedings be introduced at IPOS, bearing in mind that a re-examination report should be delivered within a relatively short time frame. Other major jurisdictions such as the United States, Australia and Canada have received such a procedure positively, and have indicated that it is a cost-effective and efficient option for third parties to challenge a patent by tapping on the technical expertise of the patent office without invoking time-consuming and costly court proceedings.
- 3.3.6. In the event the validity of a patent is put into issue in concurrent High Court proceedings, a safeguard to prevent duplicity can be to stay the re-examination at IPOS pending the resolution of the High Court litigation. Further or alternatively, the safeguards under the repealed s 38A of the Patents Act<sup>65</sup> can be reinstated.
- 3.3.7. At the same time, IPOS revocation proceedings (already a binding but *inter partes* procedure) should be reviewed to simplify procedures and requirements, and to differentiate it from the binding, post-grant re-examination proceedings which are *ex parte* in nature.

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<sup>65</sup> These are:-

- The Registrar shall not grant a re-examination request if he is of the view that the request is frivolous, vexatious or an abuse of the process. [Section 38A(5)]
- No re-examination request shall be filed or granted where there are pending before the court or the Registrar proceedings in which the validity of the patent may be put in issue. [Section 38A(6)]

## SECTION 4

### SINGAPORE AS A VENUE FOR IP DISPUTE RESOLUTION

#### 4.1. DEVELOPING SINGAPORE AS A CHOICE VENUE FOR IP DISPUTE RESOLUTION

- 4.1.1. Developing Singapore as a choice venue for IP dispute resolution will need to parallel the broader development of Singapore as an IP hub in Asia. An increase in “upstream” activities such as R&D, IP registration and IP management will naturally increase the incidence of IP disputes.
- 4.1.2. At a broad level, Singapore has in recent years positioned itself as a choice venue for international dispute resolution:
- (a) Singapore has developed a full suite of dispute resolution services, from litigation (the SICC), to arbitration (the SIAC), to mediation (the WIPO AMC and SIMC).
  - (b) Singapore possesses a sound legal infrastructure, a strong commitment to the rule of law, neutrality, international reputation for quality judgments, and rich legal expertise.<sup>66</sup>
  - (c) Singapore provides tax incentives, including the International Arbitration (IArb) tax incentive and withholding tax exemption for non-resident arbitrators and mediators.<sup>67</sup>
- 4.1.3. We considered possible strategies and initiatives to help develop Singapore into a choice venue for IP litigation as well as IP alternative dispute resolution. These are discussed below, together with some of the main challenges in relation to both IP litigation as well as IP ADR. The Committee acknowledges that moves to develop Singapore as a choice venue for IP dispute resolution is complex and involves many stakeholders. The views expressed should be seen in this light.

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<sup>66</sup> Singapore has a strong base of local and international firms. The SICC, SIAC, SIMC and the WIPO AMC have expert judges, arbitrators and mediators.

<sup>67</sup> The IArb Tax Incentive allows law practices that qualify, a 50% tax exemption on incremental income arising from international arbitration cases which culminated or would have culminated in substantive hearings held in Singapore, for a period not exceeding 5 years.

The withholding tax exemption for non-resident arbitrators is applicable to all non-resident arbitrators who are appointed for any arbitration proceedings governed by the Arbitration Act or the International Arbitration Act, or would have been governed by either of those Acts had the venue of arbitration been in Singapore.

The withholding tax incentives for non-resident mediators is a broad-based tax exemption on the income derived by a qualifying non-resident individual for mediation services rendered in Singapore, including services that were rendered in Singapore pursuant to an agreement to mediate specifying Singapore as the venue for the mediation.

## 4.2. CHALLENGES AND OPPORTUNITIES IN RELATION TO IP LITIGATION

### Challenges in relation to positioning Singapore as a choice venue for IP litigation

4.2.1. The foremost challenge to attracting international IP disputes to Singapore is the territorial nature of IP. Rights in IP are a legal construct. They exist only to the extent that they are recognised by the national law under which they subsist. National laws generally do not recognise rights in IP as subsisting extraterritorially. To give an example, it will ordinarily not be an infringement under Singapore law for a putative defendant to trade overseas under a mark registered by a putative plaintiff in Singapore. The territorial nature of IP creates both jurisdictional and enforceability impediments where international disputes are concerned.

#### (A) Limitations on the justiciability of foreign IP rights

4.2.2. It is a long-standing rule of the common law that the Singapore court does not have subject matter jurisdiction over disputes concerning the title or right of possession to foreign immovable property.<sup>68</sup> There is case law abroad that extends this limitation to foreign intellectual property rights.<sup>69</sup>

4.2.3. We are aware that the justiciability of foreign IP rights is an area of law that is still developing. Different jurisdictions may well adopt different approaches. That said, the modern trend, however, appears to support curtailing the applicability of this rule to foreign intellectual property rights. For example, the UK Supreme Court not long ago held that the UK courts had the jurisdiction to determine whether a United States copyright had been infringed.<sup>70</sup> The UK Supreme Court recognised that while the question of infringement and subsistence may be indeterminably connected, there was nothing in principle or policy preventing a UK court from making a pronouncement on the *subsistence* of an American *copyright*. The UK Supreme Court, however, expressed greater caution as to whether registrable foreign IP rights would be justiciable before the UK court. It recognised that the grant of patents, for example, may touch on sensitive subject matter that may be in the interests of a foreign state to retain sole jurisdiction over.

The subject matter jurisdiction limitation has been diminished further by the widening of the *in personam* exception.<sup>71</sup> This exception stipulates that the court has

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<sup>68</sup> *Murakami Takako (executrix of the estate of Takashi Murakami Suroso, deceased) v Wiryadi Louise Maria* [2009] 1 SLR 508 at [8].

<sup>69</sup> *Tyburn Productions Ltd v Conan Doyle* [1991] Ch 75; *Potter v Broken Hill Pty Co Ltd* (1906) 3 CLR 479.

<sup>70</sup> *Lucasfilm Limited and others v Ainsworth and another* [2011] UKSC 39. For short discussion, see Wei, *Industrial Design Law in Singapore*, 2012 at para 3.21 fn 47.

<sup>71</sup> *Eng Liat Kiang v Eng Bak Hern* [1995] 3 SLR 97.

jurisdiction over a claim connected to title in foreign immoveable property, where it is only pronouncing on personal obligations of the litigant pursuant to a contract or equity. In the context of IP, an example which may fall within the *in personam* exception is a claim on a license agreement that requires the determination of the validity of a patent. While the dispute will invariably require the court to pronounce on the validity of a foreign IP right, that determination is only made for the purpose of resolving the personal rights as *between the parties*.<sup>72</sup>

**(B) Limitations on the enforceability of judgments**

- 4.2.4. Even if the jurisdictional obstacle is surmounted, there are questions as to the enforceability of a Singapore judgment pronouncing on rights in IP. Judgments touching on IP are often excluded from the cross-border enforcement regimes that Singapore shares with other jurisdictions.
- 4.2.5. Singapore currently has in place the following regimes for cross-border enforcement of her court judgments:
- (a) Enforcement of a foreign judgment under common law principles;
  - (b) Enforcement in jurisdictions which Singapore has reciprocal arrangements with as encapsulated in the Reciprocal Enforcement of Commonwealth Judgments Act (“**RECJA**”) and Reciprocal Enforcement of Foreign Judgments Act (“**REFJA**”); and
  - (c) Enforcement in jurisdictions which are party to the 2005 Hague Convention on Choice of Court Agreements (the “**Hague Convention**”).<sup>73</sup>
- 4.2.6. However, judgments issued by Singapore courts on core aspects of IP disputes may not be readily recognised or enforceable in other jurisdictions under the existing regimes. Singapore, for example, would only enforce a foreign *money* judgment under the common law, the RECJA and the REFJA. The Hague Convention only applies where there is an exclusive choice of court agreement governing the dispute, and

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<sup>72</sup> See generally Halsbury’s Laws of Singapore, Vol 6(2), *Conflict of Laws*, Professor Yeo Tiong Min SC, at [75.074] and Fawcett & Torremans, *Intellectual Property and Private International Law*, 2<sup>nd</sup> ed, Sweet & Maxwell at para 6.141 *et seq*. The general observation that we make is that private international law and intellectual property are highly complex areas of law.

<sup>73</sup> The Hague Convention on Choice of Court Agreements came into force on 1 Oct 2015. Singapore passed the Choice of Court Agreements Act 2016, an Act which gives effect to the Hague Convention, on 14 April 2016 and has ratified the Hague Convention on 2 June 2016. The Hague Convention will come into force for Singapore on 1 Oct 2016. See <https://www.mlaw.gov.sg/content/minlaw/en/news/press-releases/singapore-ratifies-hague-convention-on-choice-of-court-agreement.html> (Last accessed 1 Jul 2016).

excludes judgments on a broad range of IP matters from its reach.<sup>74</sup> The scope of cross-border enforcement regimes may therefore be insufficient to encourage international litigants to bring their transnational IP disputes to Singapore. Only time and experience will demonstrate whether the regimes are sufficient.

### (C) Market size

- 4.2.7. Singapore's limited market size may deter companies with limited budgets from registering or protecting their IP in Singapore, since the need for IP protection is most pressing in large consumer markets. The consequence of non-registration in Singapore is that disputes concerning those companies' IP rights will be inapt to resolution in Singapore, for the reasons discussed above.
- 4.2.8. Even if companies register their IP in Singapore, they may still choose not to litigate to enforce them in Singapore, if doing so will not yield significant financial gains. Singapore's small market size is thus often regarded as a disincentive for companies to litigate in Singapore.

### (D) Present volume of IP jurisprudence

- 4.2.9. Few IP cases have been brought before the Singapore High Court and Court of Appeal, and so there is limited local jurisprudence on IP issues. Some may take the view that that will have an impact on Singapore's international reputation as a reference country for IP jurisprudence. On the other hand, we note that it is the quality of the decisions that are important. In this context we note that decisions of the Singapore Court of Appeal have been cited overseas. For example, the Singapore Court of Appeal decision in *Staywell Hospitality Group Pty Ltd v. Starwood Hotels & Resorts Worldwide, Inc. ("Staywell")*<sup>75</sup> has been referenced positively by the UK Supreme Court in *Starbucks (HK) Limited and Another v British Sky Broadcasting Group PLC and others*.<sup>76</sup> Cases such as *Staywell* (in Singapore) and *Starbucks* (in UK) demonstrate well the point that similar if not identical IP issues often arise in a multitude of jurisdictions. Indeed, one of the leading decisions in passing off and the

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<sup>74</sup> For example, the validity of IP rights other than copyright and related rights, and the infringement of IP rights other than copyright right and related rights, except where infringement proceedings are brought for breach of a contract between the parties relating to such rights, or could have been brought for breach of that contract.

<sup>75</sup> [2013] SGCA 65 (Nov. 29, 2013).

<sup>76</sup> [2015] UKSC 31. The UK Supreme Court called *Staywell* "an impressively wide-ranging judgment" and agreed with the "hard line" approach to goodwill taken in *Staywell*, although leaving open the question of whether pre-trading activity was sufficient to amount to protectable goodwill in the UK. See paragraphs 46, 47, 50, 66. This case was also highlighted by Lord Neuberger, President of the UK Supreme Court in the lecture he gave for the *Singapore Academy of Law Annual Lecture 2015* as evidencing the "high quality of [Singapore] judges" (2016) 28 SAclJ 1 at [2].

meaning of goodwill in the common law, is the Privy Council decision (on appeal from Singapore) in *Star Industrial Co Ltd v Yap Kwee Kor* [1976] FSR 256.

### **Opportunities in relation to positioning Singapore as a choice venue for IP litigation**

- 4.2.10. To be an attractive forum for cross-border IP litigation, Singapore will first need to broaden her regimes for the cross-border enforceability of court judgments arising from IP disputes, both in relation to (a) types of IP disputes covered, e.g. to include disputes involving IP validity, and (b) jurisdictions covered. However, expanding the subject-matter reach of cross-border enforcement regimes for court judgments relating to IP disputes is likely to be a challenging process. Multilateral conventions (e.g. the Hague Convention) tend to exclude IP subject matter to varying extents due to the territorial nature of IP rights. As noted above, disputes over IP validity are especially problematic in the case of registered IP rights.
- 4.2.11. The establishment of the SICC in 2015 reflects Singapore's wider ambition to attract international commercial disputes, including IP disputes, for resolution in Singapore. Order 110 of the Rules of Court, which governs proceedings in the SICC, specifies that claims relating to an *in personam* IP dispute are commercial in nature, hence potentially within the jurisdiction of the SICC.
- 4.2.12. The key strengths of the SICC include its expert and diverse panel of judges,<sup>77</sup> some of whom have deep specialist knowledge in IP. As the stature and repute of the SICC increases over time, there is a greater potential for some high-profile international IP cases to be heard in Singapore.

### **4.3. CHALLENGES AND OPPORTUNITIES IN RELATION TO IP ALTERNATIVE DISPUTE RESOLUTION**

- 4.3.1. In view of the significant challenges to cross-border IP litigation, the promotion of ADR may present a more viable and effective focus area, at least in the short to medium term, to develop Singapore as a choice venue for IP dispute resolution in Asia.

### **Challenges in relation to positioning Singapore as a choice venue for IP alternative dispute resolution**

- 4.3.2. We have identified three challenges that Singapore will face in attracting cross-border IP arbitration and mediation cases to Singapore, as set out below.

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<sup>77</sup> Including International Judges with extensive experience in IP dispute resolution.

**(A) Need for mind-set shift amongst lawyers and potential litigants**

- 4.3.3. Despite the growing acceptance of arbitration and mediation as viable methods of resolving IP disputes, litigation remains the default option for many companies. There thus remains a need for a paradigm shift in the way lawyers approach legal problems which now are less constrained by physical geographical boundaries or, indeed, metaphysical boundaries in the form of national legal systems. ADR is well-placed to fashion appropriate responses to these problems, because it is less tied down to the jurisdictional strictures that tend to dog national court systems.
- 4.3.4. At present, Singapore does not yet have a developed international reputation for the arbitration or mediation of IP disputes. This presents yet another challenge to attracting international arbitration or mediation to Singapore, because the decision-making authority to insert such relevant contract clauses (including clauses designating Singapore as the venue for arbitration or mediation) may not reside in Singapore, and hence may not be easily accessible as a target audience for marketing strategies to promote Singapore as an IP ADR hub.

**(B) Misconception relating to the arbitrability of IP disputes**

- 4.3.5. It has been said that a common misconception is that IP disputes, specifically those relating to IP validity and infringement, are non-arbitrable. This misconception is borne out of the reasoning that IP rights are territorial rights granted by national authorities. Disputes involving such national rights can only be resolved (and such national rights can also be enforced) by a body within the relevant national system.
- 4.3.6. However, the World Intellectual Property Organization (WIPO) has articulated the view that disputes relating to IP rights can be arbitrated, just like disputes relating to any other type of privately held rights. Arbitration is based on an agreement or consensus between parties, and any award rendered as a result of an arbitration proceeding should be binding on the parties involved, although it will not be binding on third parties.<sup>78</sup>

**(C) Difficulty in cross-border enforcement of mediated settlements**

- 4.3.7. While the cross-border enforcement of arbitral awards is facilitated by the New York Convention, there is no equivalent international agreement for cross-border enforcement of mediated settlement agreements. This has raised concerns

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<sup>78</sup> <http://www.wipo.int/amc/en/arbitration/why-is-arb.html> (Last accessed 1 July 2016).

regarding the enforceability of mediated settlement agreements across jurisdictions. That said it is noted that settlement agreements are contracts. The enforcement of a settlement agreement can be done in the usual way (for example, by subjecting it to the exclusive jurisdiction of a particular court). Further, in practice, we note that because parties actively consent to resolve their dispute through mediation, this step of active consent often results in parties being significantly more likely to honour and abide by the settlement agreement. This is particularly true where parties chose mediation to preserve an on-going business relationship.

## **Opportunities in relation to positioning Singapore as a choice venue for IP alternative dispute resolution**

### **(A) Provide clarification on arbitrability of IP disputes**

4.3.8. The misconception relating to arbitrability referred to above may need to be reassessed in the light of a recent Singapore Court of Appeal decision<sup>79</sup> which dealt specifically with the arbitrability of an intra-corporate dispute, namely, a statutory claim for oppression brought by a minority shareholder. The Court of Appeal reversed the first-instance judge and held that a minority oppression claim was arbitrable. The Court of Appeal said that the essential criterion of a non-arbitrable dispute is “whether the subject matter of the dispute is of such a nature as to make it contrary to public policy for that dispute to be resolved by arbitration”. The Court of Appeal cited (apparently with approval) a decision of the Hong Kong High Court<sup>80</sup> which held that a winding up petition on the just and equitable ground was arbitrable. In this context, passing reference was also made to the following views set out in Lord Mustill & Stewart C Boyd, *Commercial Arbitration: 2001 Companion Volume to the Second Edition* (Butterworths, 2001) at p 73:

... It is of course true that an award to the effect that a disputed patent is valid cannot make the patent valid, for the grant of a monopoly right exercisable against the world is a matter of public authorities, and so is the pronouncement of decisions about whether the monopoly was properly granted, whether it still exists, and so on, which affect its enforceability against the whole world. *An arbitrator whose powers are derived from a private agreement between A and B plainly has no jurisdiction to bind anyone else by a decision on whether a patent is valid, for no-one else has mandated him to make such a decision, and a decision which attempted to do so would be useless. But this is a question of jurisdiction, not of arbitrability, and we can see no reason why an arbitrator cannot conclude the issue of validity as between A and B if the issue is one which they have mandated him to decide ...* [emphasis added]

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<sup>79</sup> *Tomolugen Holdings Ltd and another v Silica Investors Ltd and other appeals* [2015] SGCA 57. However, there is also a conflicting authority on this point, although it was decided at the High Court, which did not have reference to the Court of Appeal’s decision: see *Maniach Pte Ltd v L Capital Jones Ltd* [2015] SGHC 35.

<sup>80</sup> *Re Quiksilver Glorious Sun JC Ltd* [2014] 4 HKLRD 759.

4.3.9. While subject matter such as minority oppression claims and just and equitable grounds for winding up may be far removed from rights in IP, the view may be taken that there is a palpable trend towards permissiveness: matters which have been traditionally regarded to be within the sole remit of the national courts are increasingly being found amenable to ADR. This may also be seen as a development which parallels the move towards permissiveness with respect to the subject matter jurisdiction of national courts to hear disputes relating to foreign property rights and IP discussed above. That said, we stress that the question of arbitrability of IP disputes is a matter that goes beyond the scope of this Report.

**(B) Marketing and promotion of Singapore as a choice venue for IP ADR**

4.3.10. We recommend that the Government, together with the relevant ADR institutions, further their efforts at marketing and promoting Singapore as a choice venue for IP ADR, i.e. arbitration and mediation.

4.3.11. First, they can explore measures to raise the profile of IP arbitration and mediation in Singapore. In relation to arbitration, MinLaw can consider working with the SIAC to promote the SIAC's specialised IP panel, which currently comprises 17 expert IP arbitrators, and to profile specific IP cases where appropriate. In relation to mediation, the SIMC does not currently have a separate panel of expert IP mediators. MinLaw can consider working with the SIMC to identify mediators with deep IP expertise, and to profile these individuals. The availability of expert IP arbitrators and mediators is often an important consideration for parties when deciding on the venue for arbitration or mediation.

4.3.12. Second, there should be enhanced coordination and cooperation between the various dispute resolution institutions,<sup>81</sup> including SIAC, SIMC, and WIPO AMC to promote the use of the full suite of dispute resolution avenues in Singapore for resolving international IP disputes. Marketing and promotion efforts can include joint overseas marketing trips, as well as industry outreach seminars and conferences.

4.3.13. Third, the Committee notes that greater visibility of IP ADR cases in Singapore will help raise Singapore's profile as a venue for IP ADR. As such, the Committee recommends that the Government explore avenues to profile IP ADR cases, where appropriate, including via industry publications and newsletters.

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<sup>81</sup> This can also include the SICC.

**(C) Building IP ADR expertise**

- 4.3.14. As mentioned in paragraph 4.3.11 above, the availability of expert IP arbitrators and mediators is often an important consideration for parties in deciding on the venue for arbitration or mediation. As such, the Committee recommends that Singapore explores measures to build IP ADR expertise. This can include introducing training and development courses, and opportunities for “junior” IP ADR professionals to shadow or observe more experienced colleagues.

## SECTION 5

### CONCLUSION

- 5.1. The effective enforcement of IP rights is necessary for IP owners to fully realise the value of their IP rights. Our main recommendation in relation to the primary objective of enhancing access to justice is the establishment of a standalone IP Division which includes a new “fast track” alternative. This would best achieve the balance between access to justice for less well-resourced parties and continued development of our IP jurisprudence. Issues relating to the cost of litigation would be addressed by measures within the “fast track” to ensure that cases are resolved without undue delay and at proportionate cost. Situating the “fast track” within the IP Division, as a division of the High Court, ensures that cases are heard in a suitable specialist forum. We recognise that the setting up of an IP Division (and the “fast track”) will involve costs. We also recognise that the manpower commitment is significant and that given the present size of Singapore’s IP Bar, it may not be easy to find candidates for the position of Managing Judge.
- 5.2. We acknowledge that Singapore should explore ways to develop as a choice venue for IP dispute resolution, but these goals are beyond the scope of our work. Enforcement of IP rights is a “downstream” activity that follows from a vibrant and innovative environment with a high density of IP strategy and management functions. It is hoped that the streamlining of IP matters in the courts by the creation of the new IP Division in the High Court will be a step towards achieving greater IP specialisation and expertise in Singapore. Together with the SICC, SIAC, SIMC, and WIPO AMC, Singapore may be viewed as having a comprehensive suite of IP dispute resolution services to serve the needs of all types of businesses and individuals who rely on IP in the new innovation economy.
- 5.3. If our recommendations are accepted and implemented, we further recommend that a subsequent review be conducted in a few years to determine if the recommendations have had their intended effect, and if necessary, to determine what further changes are needed to achieve the goals of this Report.

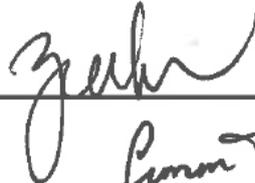
The Committee is pleased to submit this Report for consideration.

Dated this 20<sup>th</sup> day of July 2016.

Justice George Wei (Chairperson)

  
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Ms Thian Yee Sze (Deputy Chairperson)

  
\_\_\_\_\_

Mr Simon Thorley, Q.C.

  
\_\_\_\_\_

District Judge Kenneth Choo

  
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Professor David Llewelyn

  
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Professor Ng-Loy Wee Loon, S.C.

  
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Dr Stanley Lai, S.C.

  
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Mr Jason Chan

  
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Mr M. Ravindran

  
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Mr S. Sivananthan

  
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Ms Isabella Ho

  
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Mr Yeong Zee Kin

  
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Mr Mark Lim

  
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2	Ms Thian Yee Sze (Deputy Chairperson) Director-General, Ministry of Law
3	Mr Simon Thorley, Q.C. International Judge, Singapore International Commercial Court
4	District Judge Kenneth Choo State Courts of Singapore
5	Professor David Llewelyn Deputy Dean, School of Law, Singapore Management University
6	Professor Ng-Loy Wee Loon, S.C. Faculty of Law, National University of Singapore
7	Dr Stanley Lai, S.C. Head of Intellectual Property Practice, Allen & Gledhill LLP
8	Mr Jason Chan Director of Litigation and Enforcement Group, Amica Law LLC
9	Mr M. Ravindran Partner, Ravindran Associates
10	Mr S. Sivananthan Vice President, Legal Services, Creative Technology Ltd
11	Ms Isabella Ho Director, Legal (Intellectual Property), Razer (until 27 May 2016) General Counsel, MyRepublic Group Limited (from 1 July 2016)
12	Mr Yeong Zee Kin Assistant Chief Executive, Personal Data Protection Commission
13	Mr Mark Lim Director, Hearings & Mediation Group, Intellectual Property Office of Singapore

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<sup>82</sup> This Report does not necessarily reflect the views of the companies, agencies and institutions listed here.

No	Secretariat Member
1	Mr Simon Seow Director, Intellectual Property Policy Division, Ministry of Law
2	Mr Alvin Sim Deputy Director, Intellectual Property Policy Division, Ministry of Law
3	Ms Manda Tay Senior Assistant Director, Intellectual Property Policy Division, Ministry of Law (until 31 January 2016) Senior Assistant Director, Strategic Planning and Policy Department, Intellectual Property Office of Singapore (from 1 February 2016)
4	Mr William Kwek Assistant Director, Intellectual Property Policy Division, Ministry of Law
5	Mr Lim Jian Yi 2Director, Legal Policy Division, Ministry of Law
6	Ms Toh Jia Yi Senior Executive, Legal Policy Division, Ministry of Law
7	Ms See Tho Sok Yee Senior Legal Counsel, Hearings & Mediation Group, Intellectual Property Office of Singapore
8	Ms Diyanah Baharudin Legal Counsel, Hearings & Mediation Group, Intellectual Property Office of Singapore
9	Mr Edwin San Senior Assistant Registrar, Supreme Court of Singapore

**TERMS OF REFERENCE**

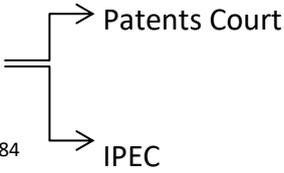
1. Identify areas where Singapore's IP dispute resolution framework can be enhanced, in keeping with developments in international standards and practices.
2. Make recommendations on how we can improve access to our IP dispute resolution system, particularly for individuals and SMEs.
3. Make recommendations on how Singapore can be positioned as a global IP dispute resolution hub in Asia.

## IP CASELOAD OF SINGAPORE HIGH COURT AND STATE COURTS

Forum	Year						Total
	2010	2011	2012	2013	2014	2015	
High Court	27	30	29	64	45	51	246
State Courts	6	7	8	10	22	14	67
Total	33	37	37	74	67	65	313

### THE UK INTELLECTUAL PROPERTY ENTERPRISE COURT (IPEC)

1. Prior to the introduction of the Intellectual Property Enterprise Court (“IPEC”), civil IP cases in the UK were heard by either the Patents County Court (“PCC”) or the Patents Court (part of the Chancery Division of the High Court). On 1 October 2013, the PCC was reconstituted as a specialist list in the Chancery Division of the High Court to form the IPEC. As a specialist list of the Chancery Division, the IPEC has the same jurisdiction as the UK High Court.
2. The jurisdiction of the various forums over **civil** IP cases in the UK presently is summarised below. The UK High Court (inclusive of the Patents Court and IPEC) and the UK IPO have concurrent jurisdiction<sup>83</sup> over post-grant IP disputes and other types of cases e.g. declarations of non-infringement for patents.

- a. High Court (Chancery Division)
  - All civil IP cases, save for pre-registration proceedings.<sup>84</sup>
- b. UK Intellectual Property Office (“IPO”)
  - Pre-registration proceedings for trademarks, patents and design: ownership / grant, opposition.
  - Post-registration proceedings
    - Patents: revocation, amendment / correction, declaration of “non-infringement”, infringement.<sup>85</sup> The IPO may also issue non-binding opinions regarding disputes on the validity or infringement of patents.
    - Trademarks: revocation, invalidation, rectification.
- c. Copyright Tribunal
  - Commercial licensing scheme disputes.

<sup>83</sup> See [Appendix D-1](#) for a summary on the jurisdiction of the Patents Court, IPEC and UK IPO.

<sup>84</sup> According to the UK IPEC Guide at p 4, the IPEC (and presumably the Patents Court) may hear claims relating to the “determination of entitlement to a patent, design or any other intellectual property”. It is not clear if this means that the Patents Court and IPEC has jurisdiction over pre-registration proceedings as well, and what the legal effect of such determinations on pre-registration proceedings in the IPO is.

<sup>85</sup> According to a Patents Guide published by the IPO before the introduction of IPEC, the IPO may hear infringement proceedings where parties agree to refer the matter to the IPO. It is not clear if the position remains the same post-IPEC.

## Patents Court or IPEC?

3. **There is no difference in the type of IP cases which the IPEC and the Patents Court may hear.** Both the IPEC and Patents Court have jurisdiction to hear and determine civil cases relating to all types of IP rights, including actions and counter-claims for:
  - a. Infringement of both registrable and non-registrable IP rights
  - b. Revocation or invalidation of patents and trademarks
  - c. Determination of entitlement to any IP right (incl. patent)
  - d. Misuse of trade secrets and other breaches of confidence
  - e. Amendment of patents
  - f. “Mixed” cases covering other subject matter e.g. breach of fiduciary duty and defamation, as long as they fall within the jurisdiction of the High Court (Chancery Division)
  
4. The difference between the IPEC and the Patents Court lies in the following:
  - a. **Procedural rules:** IPEC uses streamlined procedural rules, to promote quick and cost-efficient resolution of disputes. The Patents Court uses the normal High Court procedural rules.
  
  - b. **Damages recoverable:** Damages recoverable in IPEC proceedings are capped at GBP 500,000, while there is no cap on damages recoverable in Patents Court proceedings. However, the IPEC cap on damages may be waived by the agreement of the parties if they wish to have their case heard in the IPEC.
  
  - c. **Costs:** Costs awarded in IPEC proceedings are capped at GBP 50,000, while there is no costs cap in Patents Court proceedings.
  
5. The official filing and hearing fees of the IPEC are also significantly lower than that of the Patents Court (refer to **Appendix D-2**). As such, it is up to the claimant to assess whether he wishes to file his claim in the IPEC or the Patents Court, taking into account the length, complexity and value of the proceedings. In that sense, there are 2 points of entry into the UK court system for civil IP disputes. The defendant may then apply at the Case Management Conference to transfer the case to a different Court if he disagrees with the claimant’s choice, and the Court will make the transfer order if appropriate. As with a usual transfer order, any dissatisfied party may apply to the Court making the order to set aside the transfer order.

6. If parties all agree to use the IPEC, the Court will endeavour to accommodate the parties' agreement although it is ultimately for the Court to decide which Court the case is heard.<sup>86</sup>

### **IPEC "multi-track" procedural rules**

7. Cases filed in the IPEC will be allocated automatically to the "multi-track", unless it is to be allocated to the "small claims track". The procedural rules set out below are based on the multi-track.
8. **Commencement of proceedings.** The plaintiff files the Claim Form and its Particulars of Claim, and serves them on each defendant. The defendant may serve its Defence or Acknowledgement of Service (if it wishes to challenge the court's jurisdiction).
9. **Statements of case.** The plaintiff's statement of case is the Particulars of Claim. The defendant's statement of case is the Defence. In IPEC, the statements of case should set out the respective party's case in full, including all facts and arguments intended to be relied on. This is to facilitate case management on an issue by issue basis at the Case Management Conference. The statements of case should also include key documents referred to. The statements of case may stand as evidence at trial in the IPEC.
10. **Case Management Conference ("CMC").** The plaintiff applies for a CMC date within 14 days after all defendants who intend to file and serve a Defence have done so. The CMC is a hearing in open court, although the court may determine the CMC on paper if all parties consent. Any interim applications made after the CMC are dealt with without a hearing, unless the court considers it necessary to convene one. The following case management decisions are made during the CMC:
  - a. **Review of issues.** Parties exchange their proposed list of issues at the CMC, so that the judge may identify and narrow down the issues to be heard in the proceedings.
  - b. **Directions.** No material<sup>87</sup> may be filed in an IPEC case unless the judge makes an order at the CMC allowing the same. In deciding whether to allow filing of

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<sup>86</sup> In considering whether to allow a case to be heard in the IPEC, the Courts will consider issues of access to justice for the SMEs and individuals. Presumably, this means that where the volume of cases in the IPEC is too high, the Courts will give priority to the SME / individual cases to be heard in the IPEC.

<sup>87</sup> Material that may be ordered by the judge at CMC are disclosure of documents, a product or process description, experiments, witness statements, experts' reports, cross-examination at trial, and written submissions or skeleton arguments.

material, the judge applies a “cost-benefit test”.<sup>88</sup> The judge will limit filing of material to specific issues only. The judge will not permit additional material to be filed other than what is ordered in the CMC, save in exceptional circumstances.

- c. Trial timetable. The judge will consider the timetable for the trial and set limits on time allocated to each party. The timetable is subject to revision at the start of trial.
  - d. Alternative dispute resolution. Parties may apply for time to seek ADR before proceedings progress further. Occasionally, the judge may invite the parties to explore ADR.
  - e. Transfer of case out of IPEC. Applications to transfer a case from the IPEC to another part of the High Court (including Patents Court) must be made during the CMC. An application after the CMC will only be considered in exceptional circumstances.
  - f. Re-allocation of case to small claims track. Parties may apply for a re-allocation of the case to the small claims track. Re-allocation may be allowed if it emerges that the current track is inappropriate given the value or complexity of the case.
11. **Trial**. The court will take an active role in controlling the proceedings. Cross-examination will be strictly controlled. The court endeavours to limit the trial to 2 days, and many IPEC cases are heard in 1 day. In an appropriate case and if parties consent, the trial can be entirely on paper.
12. **Appeals**. Final judgments / orders of the IPEC are appealed to the Court of Appeal. Interim orders of the IPEC are appealed to the High Court (Chancery Division). Permission to appeal is generally required, and may be sought from the IPEC judge making the order or from the court to which the appeal is addressed.
13. **Enforcement**. Judgments of the IPEC are enforced as judgments of the High Court.
14. **Costs**. Costs are assessed summarily and subject to a GBP 50,000 cap. Parties will submit their statement of costs. For cases transferred to the IPEC from other courts, the IPEC will deal with costs incurred in proceedings prior to the transfer on a case by case basis (generally proceedings before transfer will be summarily assessed as High Court costs).

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<sup>88</sup> The cost-benefit test takes into account factors such as the nature of the dispute, the financial position of parties, the degree of complexity, the importance of the case and the amount of money at stake.

15. **Representation.** Barristers, solicitors, patent and trademark attorneys and litigants-in-person are all permitted in the IPEC.
16. **Judiciary.** The presiding judge of the IPEC is the Enterprise Judge, who is a Specialist Circuit Judge. Judges of the High Court, Patents Court are able to sit as judges of the IPEC as necessary. Certain senior members of the IP Bar are qualified and able to sit in the IPEC when the need arises.

**IPEC “small claims track” procedural rules**

17. When the plaintiff files his claim at the IPEC, he may state in his Particulars of Claim that he wishes for the claim to be allocated to the small claims track. If the defendant does not object and the Court considers the case appropriate for the small claims track, the case will be placed on the small claims track. If the defendant objects, the Court will send both parties a directions questionnaire (and possibly conduct a hearing), and based on their responses the Court will order for the case to be allocated to the appropriate track. Any dissatisfied party may appeal against the order or apply to the Court for re-allocation of the claim.<sup>89</sup>
18. The key differences between the multi-track and small claims track of the IPEC are set out below:

	<b>Multi-track</b>	<b>Small claims track</b>
<b>Value of claim</b>	No limit (but damages recoverable capped at GBP 500,000)	GBP 10,000 and below, unless Court orders otherwise
<b>Subject matter</b>	All cases within IPEC’s jurisdiction	Only cases within IPEC’s jurisdiction which relate to: <ul style="list-style-type: none"> <li>• Copyright</li> <li>• UK and Community registered trademarks</li> <li>• Passing off</li> <li>• UK and Community unregistered design</li> </ul>

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<sup>89</sup> A party should appeal if the allocation order was made at a hearing in which he was present / represented or was given due notice of. In any other case, he should apply to the Court for a re-allocation (see Practice Direction 26 para 11).

	<b>Multi-track</b>	<b>Small claims track</b>
<b>Representation</b>	<ul style="list-style-type: none"> <li>• Litigants-in-person</li> <li>• Solicitors and barristers</li> <li>• Patent or trademark attorneys</li> </ul>	Same as multi-track, although the small claims track is designed with litigants-in-person in mind.
<b>Judge</b>	<ul style="list-style-type: none"> <li>• Enterprise Judge (Specialist Circuit Judge)</li> <li>• High Court and Patents Court judges, as necessary</li> <li>• Qualified IP practitioners, as necessary</li> </ul>	District Judges
<b>Remedies</b>	No restriction on remedies.	<p>No interim remedies. Final remedies which may be obtained:</p> <ul style="list-style-type: none"> <li>• Damages for infringement</li> <li>• Account of profits</li> <li>• Delivery up or destruction</li> <li>• Final injunction</li> </ul>
<b>Appeals</b>	<p>Final orders: Court of Appeal Interim orders: High Court (Chancery Division)</p> <p>Leave to appeal must be obtained from the judge who made the order or the Court hearing the appeal.</p>	<p>All orders: Enterprise Judge in IPEC.</p> <p>Leave to appeal must be obtained from District Judge.</p>
<b>Costs</b>	<p>Usual principles apply where the unsuccessful party pays legal costs of successful party.</p> <p>Costs capped at GBP 50,000.</p>	<p>Parties bear their own costs, save in very limited circumstances.</p> <p>Costs capped at GBP 50,000.</p>
<b>Procedural features</b>	<ul style="list-style-type: none"> <li>• CMC will be fixed. CMC is an important feature as parties will not be allowed to file materials which were</li> </ul>	<ul style="list-style-type: none"> <li>• No CMC. Court provides written directions on case management without a hearing.</li> </ul>

	<b>Multi-track</b>	<b>Small claims track</b>
	<p>not ordered at the CMC. Court applies a cost-benefit test in making case management orders.</p> <ul style="list-style-type: none"> <li>• Court may issue a preliminary, non-binding opinion on merits of the case, if requested at CMC.</li> <li>• All interim applications (other than at CMC) will be decided without hearing, unless Court orders otherwise.</li> <li>• Trial will generally be confined to 2 days. Trials may be conducted on paper if appropriate and parties agree.</li> </ul>	<ul style="list-style-type: none"> <li>• Hearing confined to a few hours. Judge may adopt any method of proceeding he considers to be fair.</li> <li>• No expert evidence permitted.</li> </ul>

**Table: Summary of jurisdiction between High Court, IPEC (Chancery Courts) and the UK IPO for pre and post-registration IP disputes**

	Pre-registration	Post-registration		Others	
	<i>Opposition</i>	<i>Revocation (standalone)</i>	<i>Invalidation</i>	<i>Declarations of Non-Infringement</i>	<i>Entitlement/Ownership (standalone)</i>
<b>Is there Concurrent Jurisdiction between the High Court, IPEC and UK IPO?</b>					
<b>Patents</b>	N/A	Yes <sup>90</sup>	Validity is put in issue on the same grounds as revocation. <sup>91</sup>	Yes, but a decision of the Comptroller (UK IPO) will not estop a defence of invalidity in civil infringement proceedings. <sup>92</sup>	Normally initiated in the UK IPO, but legislation provides for possibility of transfer to IPEC. <sup>93</sup>
<b>Trade Marks</b>	No, only UK IPO <sup>94</sup>	Yes <sup>95</sup>	Yes <sup>96</sup>	N/A	N/A
<b>Registered Designs</b>	N/A	Yes. <sup>97</sup> The equivalent for RD is <b>cancellation</b> .		Yes <sup>98</sup>	No specific action for entitlement/ownership, but these issues may be raised in the IPEC as a defence. <sup>99</sup>

<sup>90</sup> S 72 (Power to Revoke Patents on Application), UK Patents Act 1977 (“UKPA 1977”); Cornish, Llewelyn & Aplin on *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (8<sup>th</sup> Ed) (“Cornish, Llewelyn & Aplin”) at [274]-[275]. The definition of “court” in the UKPA 1977 has been revised to include the Patents County Court (which was renamed to the IPEC). According to Angela Fox at pp. 16-17, all disputes under the UKPA 1977 must be brought in the Patents (High) Court or on the multi-track in the IPEC.

<sup>91</sup> S 74(3) of the UKPA 1977.

<sup>92</sup> S 71 read with s 72(5) of the UKPA 1977; Angela Fox at p 21, [2-011].

<sup>93</sup> Angela Fox, pp 22 - 23, [2-014].

<sup>94</sup> S 38(2), Trade Marks Act 1994 (“UK TMA 1994”); Cornish, Llewelyn & Aplin at p 703 [18-07]; and Kerly’s, at p 78 [5-077].

<sup>95</sup> UK CPR part 63.13; Kerly’s at p 378, [10-151]. “All claims under the [UK TMA 1994] must be brought in the Chancery Division, or a patents county court or certain other designated county courts.” These include the High Court and the IPEC, both of which sit in the Chancery Division (see CPR 63.13).

<sup>96</sup> Supra.

<sup>97</sup> S 11, Registered Designs Act 1949 (“RDA”) reads: “The registrar may, upon a request made in the prescribed manner by the registered proprietor, cancel the registration of a design.” However, CPR 63.13 provides that “any claim” under the RDA “must be started in” either the Patents Court or the IPEC. Angela Fox takes the view that such matters can be heard at the IPEC (see p 26).

<sup>98</sup> Although s 11ZC of the RDA provides that a declaration of invalidity is made to the Registrar, the court also has general powers to grant declaratory relief (see CPR R 40.20). See also Angela Fox at p 21, [2-011] and p 26.

<sup>99</sup> These issues can be raised via s 11ZA(2) (*invalidity*) or s 20(1) and (1A)(d) (*rectification*) of the RDA, as explained by Angela Fox at p 23, [2-015].

**IPEC Fees for starting a case:**

<b>Claim amount up to...</b>	<b>Court fee</b>
£300	£35
£500	£50
£1,000	£70
£1,500	£80
£3,000	£115
£5,000	£205
£10,000	£455
£200,000	5% of the amount
£500,000	£10,000

**IPEC Hearing fees:**

- £25 to £335 for a small claims case (see table below)
- £1,090 for a larger claim
- £1,090 for a patent, registered design or plant variety case

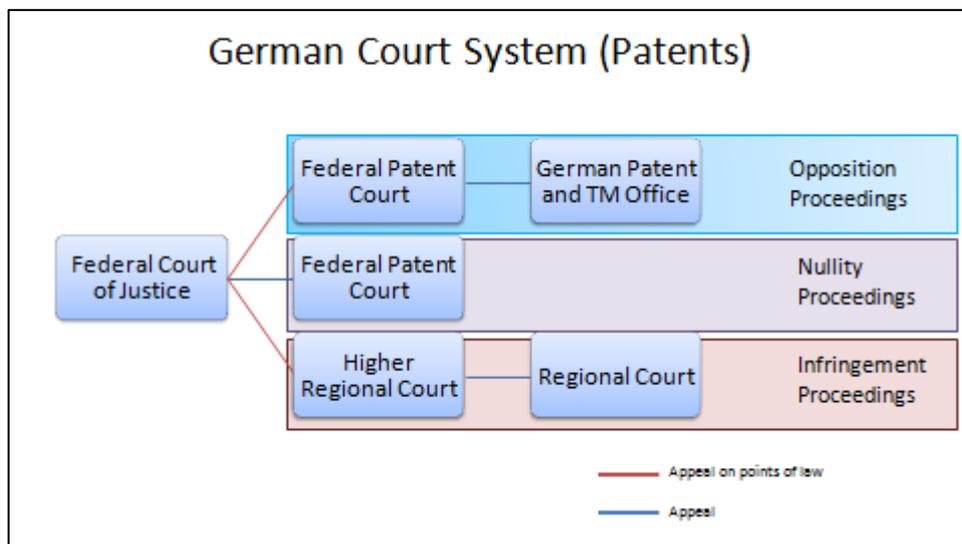
<b>Small claim amount</b>	<b>Hearing fee</b>
up to £300	£25
£300.01 to £500	£55
£500.01 to £1,000	£80
£1,000.01 to £1,500	£115
£1,500.01 to £3,000	£170
more than £3,000	£335

## THE GERMAN LITIGATION SYSTEM

- The following is a summary of the German litigation system, focusing mainly on patents. There is an excerpt on the preliminary injunction system that focuses on trade marks (see paragraph 13 below), although it can also be used for patents and other types of IP.

### Patent Litigation – General

- The court system can be divided into opposition, nullity, and infringement proceedings. Oppositions are heard by the German Patent and Trademark Office (DPMA), appeals are to the Federal Patent Court. Further appeals on points of law go to the Federal Court of Justice (Bundesgerichtshof). Nullity proceedings are heard by the Federal Patent Court (Bundespatentgericht) and appeals go to the Federal Court of Justice (Bundesgerichtshof). Infringement proceedings are heard by a regional court (Landgericht) and appeals go to the Higher Regional Court (Oberlandesgericht). Further appeals on points of law go to the Federal Court of Justice (Bundesgerichtshof). A graphical representation may be found here:<sup>100</sup>



- There are 12 regional courts dealing with patent infringement cases. The most important and most experienced of them are in Dusseldorf, Mannheim and Munich. The courts in Dusseldorf and Mannheim are particularly experienced in patent infringement matters and handle over 2/3 of the 1,400 or so first instance cases heard

<sup>100</sup> Lecture slides from Dr Peter Meier-Beck, Presiding Judge in the Federal Court of Justice (Bundesgerichtshof), Honorary Professor at the Heinrich-Heine-Universität Dusseldorf, for the Taiwan-European Union IPR Forum, in Taipei, on 18 October 2012.

in Germany each year.<sup>101</sup> The Federal Patent Court is also in Munich. The Federal Court of Justice is in Karlsruhe.

4. The Federal Patent Court has two legally qualified judges, one of them being the Presiding Judge. There are also three other technically qualified judges.<sup>102</sup> However the appeals court has 5 legally qualified judges on the bench.
5. **Bifurcated System.** A fundamental feature of the German legal system is its bifurcated proceedings, i.e. patent infringement and patent validity are heard in separate instances by two different, specialised courts. The following table describes how the different claims for patent infringement / validity are thought of in the German legal system:

	<b>Patent Infringement</b>	<b>Patent Invalidation</b>
<b>Type of litigation</b>	Private litigation; Civil law suit	Revocation of an administrative act, seen as an administrative procedure
<b>Applicable law</b>	Code of Civil Procedure	Patent Act
<b>Adjudicators</b>	Legally-trained judges	Mixed bench (legally and technically trained judges)
<b>Task – Differences</b>	Patent infringement and extent of patent protection	Patentability of invention's subject matter
<b>Task – Similarities</b>	<ul style="list-style-type: none"> <li>• There is an overlap – the examination of patentability/infringement must be based on one and the same understanding of the patent claim</li> <li>• The patentee can claim that he wants to expand the scope of his patent in the infringement claim, but downplays it in the invalidation proceedings (nullity) and vice versa (for the defendant).</li> <li>• Therefore, the nullity judge and the infringement judge must be cognisant of the arguments in the different proceedings.</li> </ul>	

<sup>101</sup> Statistics from article by Dr Heinz Goddar, Dr jur. Carl-Richard Haarmann, "Patent Litigation in Germany – An Introduction (I)" in China Intellectual Property Global IP Magazine, Feb 2013 ("**Heinz Goddar Article**"), at p 68.

<sup>102</sup> In Australia, the suggestion of a tribunal with one legal person and some technical people on the Bench has been raised. But it was pointed out that the judgments of such a panel would not be enforceable due to constitutional issues. In Singapore, the same concern could be raised, since judicial power is reserved for the judiciary only (Art 93, Singapore Constitution).

The "link" between nullity and infringement proceedings is the Federal Court of Justice (Bundesgerichtshof). Both types of proceedings can be brought before this court, but they will follow different procedural rules and are heard separately.

6. The judges of the specialised Regional Courts that hear IP cases may not have technical backgrounds. However, the selection process results in appointment of judges with keen interest and/or past experience in IP. As patent cases are concentrated in these specialised Regional Courts, the judges have ample opportunity to build experience and expertise in handling patent cases. In complex patent cases, the Court can appoint independent experts to aid the Court. These experts are usually sourced from institutes of higher learning. It was shared that it can be difficult to find and appoint experts in certain technological fields, e.g. pharmaceuticals. The cost of the independent expert is paid by the losing party, and this is provided for in the rules.
7. **Who decides first?** Typically, the infringement judge is the first to decide. The Federal Patent Court usually takes about 1.5 to 2 years to reach a decision, whereas infringement cases may conclude in under a year.
8. **Stay of Proceedings.** The judge may stay the proceedings if:
  - a. he expects that the patent is to be invalidated (revoked);
  - b. he recognises that the Patent Court has based or is going to base its decision on a different understanding of the patent claim.
9. However, the request for stay of proceedings "rarely occurs, with fewer than ten percent of cases stayed in view of a pending nullity action". It is possible but rare to stay proceedings in the case of some new evidence which is clearly novel and would definitely resolve the dispute.<sup>103</sup>
10. Based on feedback, we understand that judges from the specialised Regional Courts are capable of making accurate and fair assessments as to the chances of success of a party's validity claim in the Federal Patent Court, in deciding whether to grant a stay of the infringement proceedings before them.
11. Where the Regional Court finds an infringement of a patent, but the patent is subsequently invalidated, the decision of the Regional Court will be reversed.

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<sup>103</sup> Taken from *Heinz Goddar Article*, p 69-70.

12. **Defences.** A validity defence in infringement proceedings is only possible if separate proceedings have begun in the opposition or validity courts. In this case, the infringement court can stay the proceedings. Otherwise, the infringement court is required by law to assume the validity of the patent.

**Preliminary Injunction Proceedings (All types of IP; focus is on Trade Marks)**<sup>104</sup>

13. Preliminary injunctions are typically granted within a few days after a party has filed a request. In practice, many injunctions are granted *ex parte*. It is available for all kinds of IP rights (trade marks, designs, patents, copyright, unfair competition matters).
- a. **Procedure:** Typically, a cease-and-desist letter is sent to the potential defendant. This is not a pre-requisite to obtaining an injunction but allows the applicant to avoid bearing the cost of proceedings. If the potential defendant does not comply with the cease-and-desist letter, the right holder may consider filing a request for a preliminary injunction within 1 month. The injunction can be served immediately upon the expiration of the deadline set in the letter.
- b. **Prerequisites** for obtaining a preliminary injunction:
- i. Substantive claim for injunction against the defendant
    1. Test: Whether there is a "pre-dominant probability" that the claims are justified.
    2. Evidence that can be tendered: (1) *Prima facie* evidence of validity of rights (e.g. printouts from the relevant register) (2) pictures or other evidence such as Internet screen-shots showing infringing use of the applicant's trade mark (3) written affidavits of the applicant and/or third parties concerning the entire relevant facts of the case.
  - ii. Urgency of proceedings (i.e. without the preliminary injunction, the applicant would face difficulties enforcing its rights by means of main court proceedings).<sup>105</sup>
- c. **Venue for preliminary injunction:**
- i. Section 32 of the Civil Procedure Statute: In matters relating to tort, the venue lies where the harmful event occurred.<sup>106</sup>
  - ii. The applicant's attorneys are allowed to ask the judge to inform them orally (via telephone) if the court decides not to grant the preliminary injunction *ex parte* and prefers an oral hearing, or if the court plans to dismiss the request. In this case, the attorneys may immediately withdraw the request and try to

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<sup>104</sup> The material in this section is taken from Dr Mathias Kleespies and Paul Kretschmar, "Preliminary Injunction Proceedings in Germany: An Effective tool in IP Litigation Matters", Vossius & Partner.

<sup>105</sup> This "urgency" can be "forfeited" if the applicant consents not to execute the injunction despite continued infringing acts by the respondent (e.g. in view of settlement negotiations).

<sup>106</sup> If the infringer offered counterfeit goods to German consumers via the Internet, the applicant is generally free to choose the venue.

have the same injunction heard by another court without informing the second court of the first intended refusal (although this is not recommended because some courts consider it an abusive exercise of the law).

- d. **Ancillary claims.** If a prima facie case is established, the plaintiff is entitled to both injunctive relief and ancillary claims, *but not claims for damage / destruction*. The ancillary claims are:
- i. claims for rendering information concerning the origin and channels of distribution of unlawfully marked objects;
  - ii. claims for presentation and inspection of documents or objects;
  - iii. claims for access, where appropriate, to banking, financial or commercial documents under the control of the alleged infringer; and
  - iv. claims for sequestration in preparation of the destruction of infringing goods (this is particularly important in product piracy cases as it enables the applicant to ensure that counterfeit goods will be destroyed and not enter the market).
- e. **Enforcement of Preliminary Injunction.** It is the applicant's obligation to serve the injunction within one month to the respondent / his attorneys. If it is not served or served on the wrong party, the preliminary injunction becomes unenforceable and is prone to revocation.
- f. **Execution of Preliminary Injunction.** If the injunction is not complied with, the court can order payment of a fine of up to 250,000 Euros. For respondents located abroad, the injunction can be executed against the assets in Germany.
- g. **Countermeasures against anticipated ex parte injunctions – Protective Letters**
- i. This is an interesting measure that allows potential respondents to preemptively lodge a "protective letter" stating "all arguments available as to why an anticipated preliminary injunction against the respondent would be inadmissible and/or unjustified".<sup>107</sup>
  - ii. Whilst the courts are not obliged to consider this letter when deciding whether to grant an injunction, "the competent judges might refrain from granting an *ex parte* injunction and rather schedule an oral hearing before granting the preliminary injunction."
- h. **Countermeasures against anticipated ex parte injunctions – Opposition Proceedings**
- i. In the alternative (to the protective letter), the respondent can also begin opposition proceedings on the applicant.
  - ii. The court issuing the injunction will schedule an oral hearing and during this hearing, both parties can be heard and the court will decide on the validity of the preliminary injunction.
  - iii. The opposition proceedings do not act as a stay of proceedings – but the respondent will have a claim against the applicant for reimbursement of all

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<sup>107</sup> E.g. that the applicant cannot derive any rights from its trademarks because the trademarks are vulnerable to cancellation due to non-use, that there is no likelihood of confusion, that the matter is not urgent anymore.

damages suffered in connection with the enforcement and execution of the injunction.

i. **Costs**

- i. The winning party has a claim for reimbursement of costs (court costs and lawyers' fees) against the losing party.
- ii. Germany is "one of the few countries" where this is possible.

### **Patent Infringement Proceedings**

14. Parties can be represented by attorneys-at-law assisted by patent attorneys. Trial takes place approximately 1 year after filing of the complaint. In most cases, a decision is made by a court appointed expert.

- a. **Pre-Trial Procedure:** German law provides that a party who does not notify the alleged infringer prior to the proceedings must bear the costs of the proceeding. Therefore, a "warning letter" should be sent to the alleged infringer. Depending on the situation, the letter should be sent directly before or after the commencement of German court proceedings.<sup>108</sup>
- b. **Pleadings:** There are two sets of pleadings that the plaintiff and the defendant can file. Failure to file a defence implies the immediate risk of the court giving default judgment to the plaintiff. The timeline on writs is very strict and requests for extensions are rarely granted.<sup>109</sup>
- c. **Evidence:** Parties often choose just 1 or 2 features of the claim to dispute. No depositions are allowed in evidence, parties present all evidence in its claims and statements in the form of exhibits. The court relies completely on what is presented by the parties. Witness statements are rarely given much weight. There is no cross-examination process, and witness statements are rarely sworn in.
  - i. No discovery or cross-examination, but there is legislation that allows the equivalent of Anton Piller orders if there is evidence in the possession of the other party that is required for the case. However, this is not often used. It is also not comparable to the extensive discovery provisions available in common law jurisdictions.
  - ii. **Expert Evidence:** Whilst parties may present expert opinions and test results, a court typically does not order expert testimony unless the two parties present contradictory expert statements (in Dusseldorf, this occurs in less than

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<sup>108</sup> If there is too long a gap between sending the warning letter and the filing of the infringement action, there is a possibility that the defendant will initiate proceedings of their own in another European country, where proceedings are much slower. The European Directive prevents the patent proprietor from continuing proceedings as long as the other country remains undecided about its competence about the matter at hand. See *Heinz Goddar Article*, at 70.

<sup>109</sup> *Heinz Goddar Article*, at 71.

10% of the cases). "On technical issues, the court typically relies on its own depth of technical insight and experience to render its decision."<sup>110</sup>

- d. **Oral Hearing:** The presiding judge gives a short introduction of the case which focuses on the features of the patent disputed between the parties. The judge follows with the court's preliminary opinion based on the parties' pleadings. → I.e. the court actually reviews the case and gives its preliminary decision before hearing parties! It is only after this that the parties may comment on the issues in dispute.<sup>111</sup>
- i. **Representation:** The legal attorney usually takes the leading role during the oral hearing.
  - ii. **Duration:** In normal cases, the oral proceedings do not exceed 1 hour. 1-2 hours is generally considered as sufficient for more complex cases.
  - iii. **Decision:** The court will render a decision after hearing the parties. If there is a need to hear experts, a new hearing will be summoned and the parties will have another opportunity to comment at the next hearing. Over 90% of the time, the court renders a judgment within a few days, or a maximum of about four weeks. The written grounds of decision will be issued a few weeks thereafter, at latest. This is served formally to the parties.
- e. **Enforcement:** If the court finds infringement, the judgment is declared preliminarily enforceable (pending appeal). The plaintiff can enforce the cease and desist order after making an initial, substantial security deposit. If the judgment is appealed successfully, the plaintiff must pay damage compensation to the defendant for wrongful enforcement. The defendant can rely on the plaintiff's security deposit for this compensation.
- f. **Appeal at the Court of Appeals (Oberlandesgericht):** In this appeal, factual and legal appeal grounds are enforceable, but there is a restriction on further evidence. Appeals must be filed one month after the first instance judgment has been served. This period is extendable to 6 months after judgment. It is possible to make an appeal without grounds, with the grounds to be due one month after the expiration of the appeal deadline.
- i. **Evidence on appeal:** Witnesses and experts are rarely heard and expert opinions are rarely obtained.
  - ii. **Enforcement of appeal judgment:** An appeal judgment is enforceable without security deposit, even if a further appeal is filed to the Federal Court of Justice (Bundesgerichtshof).

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<sup>110</sup> *Heinz Goddar Article*, at 71.

<sup>111</sup> *Heinz Goddar Article*, at 71.

15. **Nullity Proceedings**.<sup>112</sup>

- a. **Jurisdiction**. Nullity Proceedings are instituted at the Federal Patent Court and appealable to the Federal Court of Justice.
- b. **Representation**. Parties may be represented by patent attorneys or attorneys-at-law.
- c. **Submissions**. Parties prepare (1) written submissions and (2) written expert opinions which may be presented by the parties.
- d. **Court Order to Clarify Scope of Trial**. The court may also issue an order to clarify the important issues for its decision, to focus the trial on these essential questions (this is enshrined in Sec 83 Par 1 Germany Patent Act).<sup>113</sup>
- e. **Timeline**. Trial takes place approximately 18 to 24 months after filing the complaint.
- f. **Decision**. Decision is generally made without assistance by a court appointed expert (Note: The Federal Patent Court is a mixed tribunal, staffed with both legal and technically qualified judges.)
- g. **Appeal**. Parties may file an appeal with the Federal Court of Justice. They can bring new prior art documents as long as they could not reasonably have expected to bring the documents before the Federal Patent Court, having regard to the court order in Section 83 (see (d) above). Generally, no court appointed experts are heard at appeal. The FCJ may: (1) dismiss the appeal (2) reverse the FPC's decision and remit it back to the FPC for a new trial (3) reverse the FPC's decision and decide on the matter itself, "especially if the case is mature for final decision."

**Use of ADR in Litigation Process**

16. While there is no formal requirement for ADR, it was shared that judges often try and get parties to settle, or resolve their dispute out of court, especially in cases where there is a 50-50 chance of success. Many cases are settled before going to the High Court of Justice, usually after the hearing at the Regional Court level. Cases involving SMEs ordinarily settle and only cases where parties are fighting for a "prestige" factor (e.g. Samsung v Apple) will proceed all the way to the High Court of Justice.
17. Judges can give preliminary views (this can be in writing) on the case prior to trial. Such preliminary views can be indicative of the strength of the case, and can help nudge parties to settle privately.

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<sup>112</sup> The information in this section is taken from Dr Peter Meier-Beck's lecture slides.

<sup>113</sup> See in particular, slide 15.

## **Possible disadvantages and advantages of the bifurcated system**

18. Disadvantages. The need for separate proceedings before the Regional Court (i.e. infringement) and the Federal Patent Court (i.e. nullity) may make the system more cumbersome for parties, thus possibly adding to costs. Since the proceedings are split, the decisions for both aspects of the case may arrive at different points in time, thus resulting in some uncertainty as to the validity of the Regional Court's decision on infringement if it is decided before the nullity proceedings in the FPC. However, this disadvantage is mitigated by the Regional Court's acumen in assessing the chances of success in the FPC (see para 10 above).
19. It is the subject of debate in Germany as to whether the speed/efficiency and relative low cost of infringement proceedings encourages patent troll activity. It was noted that there was a wave of such patent troll (or Non-Practicing Entity ("NPE")) activity about 5 or 6 years ago. However, such activity has since decreased and a possible reason is that the quantum of damages awarded by the German courts is generally not high (as compared with the US). Also, the German Regional Courts are well capable of making sound assessments on the validity of a patent. As such, NPE activity based on patents of questionable value often do not succeed.
20. Advantages. Bifurcation allows validity issues to be heard by technical experts (most judges are very experienced patent examiners) at the Federal Patent Court. This increases the accuracy and fairness of the assessment of validity and give practitioners confidence in the court's decisions. Concurrently, it allows infringement issues to be dealt with by legally-trained judges. Overall, the decisions of patent disputes should be of higher quality.
21. Bifurcation may not have significant negative effects in relation to costs or time, as compared to if both issues of infringement and validity were heard together at a single forum. Comparable time and resources would need to be spent in either scenarios (i.e. a bifurcated system and a non-bifurcated system), as the total number of issues to be decided remain unchanged.

## **Costs**

22. The costs of running a patent dispute will depend on the value of the patent in question. For example, a "normal, easy case" would cost between €100,000 to €500,000 (e.g. cases involving mechanical/electronic patents). However, a complex pharmaceuticals case could reach up to €6 million or more.

**POST-GRANT REVIEW PROCEDURES UNDER THE  
AMERICA INVENTS ACT (“AIA”)**

**Introduction**

1. The America Invents Act (“AIA”)<sup>114</sup> was signed into law on September 16, 2011. Under the AIA, one area which has been substantially changed is the post-grant review proceedings. The proceedings allow third-parties greater opportunity to challenge patents before the Patent and Trademark Office, and specifically before the Patent Trial and Appeal Board.
2. The types of post-grant review procedures available are as follows:
  - a) Derivation proceedings
  - b) Ex parte re-examination
  - c) Inter partes review
  - d) Post-grant review

**(A) Derivation Proceedings**

3. Derivation proceedings are a new form of inter partes proceeding that will apply to patent applications or patents that are subject to the first-inventor-to-file provisions, which are applications that include at least one claim that is not entitled to an effective filing date prior to March 16, 2013.
4. Derivation proceedings are introduced to establish that a patent applicant (or patentee) was not an inventor, but rather that they derived the invention from someone else. A derivation may be instituted by the inventor who files a later application, where the petition sets forth a basis for finding that the inventor named in an earlier application derived the claimed invention and there is substantial evidence to support the allegations raised in the petition.
5. In a petition for a derivation proceeding, the petitioner must (i) identify which application or patent is disputed; and (ii) provide at least one affidavit addressing communication of the derived invention and the lack of authorisation for filing the earlier application.<sup>115</sup>

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<sup>114</sup> [http://www.uspto.gov/sites/default/files/aia\\_implementation/20110916-pub-1112-29.pdf](http://www.uspto.gov/sites/default/files/aia_implementation/20110916-pub-1112-29.pdf).

<sup>115</sup> Change to Implement Derivation Proceedings (77 Fed. Reg. 56068, Sept. 11, 2012) at § 42.405(b)(2).

6. The petition must be filed within 1 year of the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention.<sup>116</sup>
7. A party dissatisfied with a final decision in a derivation proceeding may appeal to a district court or the Federal Circuit. Parties to a derivation proceeding may terminate the proceeding by filing a written statement reflecting the agreement of the parties as to the correct inventor of the claimed invention in dispute.<sup>117</sup> They may also subject the proceedings to arbitration instead.<sup>118</sup>

**(B) Ex Parte Re-Examination**

8. Prior to September 16, 2012, ex parte patent re-examination was the only USPTO option for challenging the validity of patents that issued from patent applications filed before November 29, 1999. The process for ex parte proceedings was not amended by the AIA.
9. Any person at any time may file a request for re-examination by the USPTO of any claim of a patent on the basis of any prior art. These include patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent. The request must be in writing and must be accompanied by payment of a re-examination fee. The request must set forth the pertinence of cited prior art to every claim for which re-examination is requested.
10. The USPTO will decide whether to proceed with the re-examination of the patent within three months from the filing of the request for re-examination. If re-examination of the patent is ordered, the patent owner will be given a reasonable period, i.e. not less than two months, within which he may respond/file a statement to the re-examination. The person filing the re-examination request will then have 2 months to file a reply to any statement filed by the patent owner, after which he/she will no longer actively participate in the proceedings.
11. In any re-examination proceeding or in response to a decision adverse to the patentability of a claim of a patent, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art. However, no proposed amended or new claim enlarging the scope of a claim of the patent will be permitted.

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<sup>116</sup> Ibid. at § 42.403.

<sup>117</sup> 35 U.S. Code § 135(e).

<sup>118</sup> 35 U.S. Code § 135(f).

12. A patent owner dissatisfied with a final decision in an ex parte reexamination may appeal to the PTAB or subsequently, the Court of Appeals for the Federal Circuit.
13. The ex parte re-examination proceeding is the only anonymous mechanism that may be employed at the USPTO to challenge an issued patent. This anonymity can be important, for example to avoid retaliatory suits from the patent owner. In addition, in cases where the technology is simple, and the prior art substantial, the ex parte option will enable the challenge to move forward with a minimum of investment in attorney and USPTO fees.

**(C) Inter Partes Review**

14. An inter partes review is similar to an inter partes re-examination. Any third-party can request cancellation of one or more patent claims on any ground that could be raised under section 102 or 103 (i.e. relating to lack of novelty and obviousness), but only on the basis of prior art patents or printed publications.
15. All patents issuing from applications subject to first-inventor-to-file provisions of the AIA as well as those patents issuing from applications subject to the first-to-invent provisions are eligible for an inter partes review. A petition for an inter partes review may only be filed after the later of 9 months after the grant of a patent; or the conclusion of any post-grant review.
16. A petition must be accompanied by payment of fee, and must identify all real parties in interests and, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim.<sup>119</sup>
17. The patent owner has the right to file a preliminary response to the petition that sets forth reasons why no inter partes review should be instituted.<sup>120</sup>
18. Based on this information, the Director determines if the information demonstrates that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition. This determination must be made within three months of receiving the patent owner's response or, if no response is filed, within three months of when the response was due. The determination of whether to grant or deny a petition is final and not appealable.

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<sup>119</sup> 35 U.S. Code § 312(a).

<sup>120</sup> 35 U.S. Code § 313.

19. An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent. If a civil action is filed on or after the date on which the petition is filed, that civil action shall be automatically stayed. An inter partes review may also not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner is served with a complaint alleging infringement of the patent.
20. An inter partes review will invoke an estoppel. A petitioner, real party in interest or privy cannot request a proceeding before the PTO on any ground it did or reasonably could have raised in the petition. Also, a petitioner, real party in interest or privy cannot assert, in a civil action or ITC proceedings, any ground it raised or reasonably could have raised in the petition.
21. An inter partes review will be public, and discovery and depositions of declarants will be available. A patent owner can amend or cancel challenged claims. The PTO may prescribe sanctions for abuse of discovery, abuse of process, or any other improper use of an inter partes review, such as to harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding.<sup>121</sup>
22. A party dissatisfied with the final written decision of the Patent Trial and Appeal Board may appeal the decision to the Court of Appeals for the Federal Circuit.<sup>122</sup> An inter partes review is statutorily required to be complete within 1 year of institution, except that the time may be extended by up to six months for good cause.<sup>123</sup>

**(D) Post Grant Review**

23. The AIA also made available the post-grant review process under Chapter 32. The post-grant review can be requested by any third party for any ground of invalidity except best mode. A petition for post-grant review, however, can only be filed no later than 9 months after the grant of a patent or reissued patent.
24. Only those patents issued from applications subject to first-inventor-to-file provisions of the AIA (filed after March 16, 2013) are eligible for a post grant review.
25. A petition must be accompanied by payment of fee, and must identify all real parties in interests. The petition must also specify the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim.

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<sup>121</sup> 35 U.S. Code § 316(a)(6).

<sup>122</sup> 35 U.S. Code § 141(b).

<sup>123</sup> 35 U.S. Code § 316(a)(11).

26. The patent owner shall have the right to file a preliminary response to the petition that sets forth reasons why no post-grant review should be instituted. A post-grant review shall be instituted only if the information demonstrates that it is more likely than not that at least 1 of the claims challenged in the petition is un-patentable. This decision will be made within three months after receiving the patent owner’s preliminary response.<sup>124</sup>
27. Many of the regulations governing a post-grant review are substantially similar to those governing inter-parties review. However, one difference is that if a patent owner has filed a civil action within three months of a patent’s issuance, a court may not stay a request for a preliminary injunction on the ground that a post-grant review has been requested or has been commenced.
28. The petitioner is estopped from asserting before the PTO, in a civil action or ITC proceedings, that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that post-grant review.<sup>125</sup> This will not apply where upon the joint request of the petitioner and the patent owner, the post-grant review is terminated.<sup>126</sup>
29. A party dissatisfied with the final written decision of the Patent Trial and Appeal Board may appeal the decision to the Court of Appeals for the Federal Circuit. A post grant review is statutorily required to be complete within one year of institution, except that the time may be extended by up to six months for good cause.<sup>127</sup>

**Table 1: Comparison of Inter Partes Review and Post-Grant Review**

	<b>Inter Partes Review</b>	<b>Post-grant Review</b>
<b>When</b>	After the later of 9 months after the grant of patent, reissue, or the completion of the post-grant review.	No later than 9 months after the grant of patent or reissue.
<b>Grounds</b>	Anticipation or obviousness based on prior art patents or printed publications.	Any ground of invalidity except best mode.

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<sup>124</sup> 35 U.S. Code § 324(c).

<sup>125</sup> 35 U.S. Code § 325(e).

<sup>126</sup> 35 U.S. Code § 327(a).

<sup>127</sup> 35 U.S. Code § 326(a)(11).

	<b>Inter Partes Review</b>	<b>Post-grant Review</b>
<b>Burden of Proof</b>	Reasonable likelihood that at least one challenged claim is invalid.	More likely than not that at least one challenged claim is invalid.
<b>Real Parties in Interest</b>	Must be identified.	Must be identified.
<b>Affidavits and Declarations permitted?</b>	Yes	Yes
<b>Discovery permitted?</b>	Yes	Yes
<b>Estoppel?</b>	Yes	Yes
<b>Time for Decision</b>	12-18 months	12-18 months
<b>Appeal</b>	Both parties can appeal to the Federal Circuit.	Both parties can appeal to the Federal Circuit.

### **Transitional Program for Covered Business Method Patents**

30. The transitional program for covered business method patents (TPCBM) is a new trial proceeding introduced by the AIA. The TPCBM is conducted by the Board to review the patentability of one or more claims in a covered business method patent. Covered business methods are defined as those claiming “a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.”<sup>128</sup>
31. All covered business method patents can be subject to TPCBM review, regardless of when they were filed. Patents filed under the first-to-invent provisions, may however only be challenged with either (1) prior art that qualifies as such under the current § 102(a), or (2) prior art that discloses the invention more than one year before the patent’s application, and which would have been prior art under § 102(a) as of the patent’s invention date. The program will sunset for new TPCBM petitions on September 16, 2020.
32. Only the real party in interest or privy that has been sued or charged with infringement can file such a transitional proceeding. Estoppel for this type of post-grant proceedings applies wherein the third-party requester cannot participate in any USPTO proceeding or file any Court action against the patent which asserts that a claim in the patent is invalid on any ground that the petitioner raised during the transitional proceeding.

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<sup>128</sup> AIA, at s 118.

**Statistics of the Usage of Post-Grant Proceedings under the AIA<sup>129</sup>**

33. Table 2 below shows the number of AIA petitions filed as of June 11, 2015:

**Table 2: Number of AIA petitions filed as of June 11, 2015**

FY	IPR	CBM	PGR	DER	Total
2012	17	8	-	-	25
2013	514	48	-	1	563
2014	1,310	177	2	5	1,494
2015	1,204	121	6	5	1,336
<b>Cumulative</b>	<b>3,045</b>	<b>354</b>	<b>8</b>	<b>11</b>	<b>3,418</b>

34. Table 3 below shows the number of AIA petitions filed according to technology sectors (as of June 11, 2015):

**Table 3: Number of AIA petitions filed according to technology sectors**

Technology	Number of Petitions	Percentage
Electrical/Computer – TCs 2100, 2400, 2600, 2800	835	62.5%
Mechanical/Business Methods – TCs 3600, 3700	326	24.4%
Chemical – TC 1700	64	4.8%
Bio/Pharma – TC 1600	108	8.1%
Design – TC 2900	3	0.2%

35. Table 4 below shows the number of patent owners preliminary responses to AIA petitions (as of June 11, 2015):

**Table 4: Number of patent owners preliminary responses to AIA petitions**

FY	IPR		CBM		PGR	
	Filed	Waived	Filed	Waived	Filed	Waived
2013	237	63	33	2	-	-
2014	829	202	116	18	-	-
2015	895	160	113	10	3	1

36. Table 5 below show the number of AIA trials instituted or disposed (as of June 11, 2015):

**Table 5: Number of AIA trials instituted or disposed**

<sup>129</sup> [http://www.uspto.gov/sites/default/files/documents/aia\\_statistics\\_06-11-2015.pdf](http://www.uspto.gov/sites/default/files/documents/aia_statistics_06-11-2015.pdf) (Last accessed 1 July 2016).

		Trials Instituted	Joinders	Denials	Total No. of Decisions on Institution	Disposals			
						Settled	FWD*	RAJ**	Other**
IPR	FY13	167	10 <sup>+</sup>	26	203	38	0	2	1
	FY14	557	15 <sup>+</sup>	193	765	210	130	39	1
	FY15	556	102 <sup>+</sup>	265	923	327	260	55	15
PGR	FY15	-	-	-	-	2	-	-	-
DER	FY14	0	0	3	3	0	0	0	0
CBM	FY13	14	0	3	17	3	1	0	0
	FY14	91	1 <sup>+</sup>	30	122	27	13	3	2
	FY15	65	-	27	92	36	36	3	4

\*Final Written Decisions on the merits.

\*\*Judgments based on Request for Adverse Judgment.

\*\*\*Includes terminations due to dismissal.

<sup>+</sup> 128 cases joined to 92 base trials for a total of 220 cases involved in joinder.

### **Preliminary Commentary and Analysis of the Post-grant Proceedings under the AIA**

37. Post AIA, a company faced with a patent infringement suit has the options of:

- a) District court litigation,
- b) Ex parte re-examination,
- c) Inter partes review, and
- d) Post-grant review (including covered business method patents).

38. The table below shows a cost comparison example of the various options.

**Table 6: Cost comparison example of the post-grant options under the AIA**

*(By Sughrue Mion PLLC)*

	Petitioner	Patent Owner
<b>District court litigation</b>	Atty Fees: \$2M to \$8M	Atty Fees: \$2M to \$8M
<b>Ex parte re-examination</b>	PTO Fees: \$12,000 (large entity) Atty Fees: \$50,000	Atty Fees: \$75,000
<b>Inter partes review</b>	PTO Fees: \$9,000 request (1 to 20 claims)	Atty Fees: \$375,000

	Petitioner	Patent Owner
	+\$14,000 post institution (1 to 15 claims) (\$200/\$400 for each additional claim) Atty Fees: \$375,000	
<b>Post-grant review</b>	PTO Fees: \$12,000 (1 to 20 claims) +\$18,000 post institution (1 to 15 claims) (\$200/\$400 for each additional claim) Atty Fees: \$450,000	Atty Fees: \$450,000

39. One of the most significant benefits of the AIA post-grant proceedings for both patent owners and challengers is that they are heard by the Patent Trial and Appeal Board (PTAB). The PTAB is a panel of very experienced administrative patent judges. These judges all hold degrees in science or engineering, and most have advanced degrees in these areas. They also have law degrees and are members of at least one State Bar association. The background of the administrative patent judges ensures that they understand both the applicable technologies and patent law when evaluating AIA post-grant review petitions.
40. At the outset of a post-grant proceeding, a lead administrative patent judge is appointed. The lead judge will play an active role in the guidance of the case right from the very beginning. The PTAB focuses very much on the details, fact-finding, and claim interpretations. With this approach, the PTAB provides an objective process for challenging patents that is very much based on evidence and not emotional appeals. Judges are most concerned with making findings of fact so that their decisions will be upheld by the Federal Circuit. As noted in *In re Breiner* at p 6:
- “Under the substantial evidence standard of review, this Court will not overturn the Board’s decision [of a fact-based obviousness determination] if a reasonable mind might accept the evidence as adequate to support a conclusion.”
41. With the post-grant review, it is crucial for parties to focus their arguments on the validity of the specific claim under review, and their arguments must point to specific evidence supporting their position. Parties are expected to be thorough, as the judges may consider any argument not made to be waived.

42. Another key advantage is that there are strict PTAB procedures and rules, and judges often use these to speed up the case. The strict timelines also serve to cap the total length of post-grant review proceedings. This, in turn, often helps to cap the total legal costs for companies.
43. The post-grant review proceedings introduced by the AIA are also said to aid small companies and start-ups to challenge, and invalidate, weak patents. The proceedings are also said to help reduce unnecessary and unmeritorious litigation; and also to help enhance the overall quality of patents in the system.
44. The table below shows some of the key differences between district court litigation and the PTAB trials.

**Table 7: Overview of key differences between district court litigation and PTAB trials**

	<b>District Court Litigation</b>	<b>PTAB Trials</b>
<b>Who decides the case?</b>	Article II Judge and lay jury.	Administrative law judge with both technical and patent law background.
<b>What types of claims/disputes?</b>	Infringement and validity.	Validity only.
<b>Scope of discovery</b>	Broad discovery.	Limited and focused discovery.
<b>Length of trial</b>	Two to five years through trial.	1 year to decision.
<b>Cost</b>	Expensive.	Significantly less expensive.

Possible disadvantages/drawbacks to the post-grant proceedings

45. While the post-grant proceedings are significantly cheaper than litigation, they still involve a significant amount of cost, which may be prohibitive to small companies, start-ups, and individuals.
46. In addition, the potential challengers should carefully consider the timing of starting the post-grant proceedings. For instance, post-grant review is only available for nine months following the issuance, or reissuance, of a patent. In contrast, inter partes review will be available only after nine months have passed since the issuance, or reissuance, of a patent, or after the termination of a post-grant review (if one has been commenced).

47. While the procedures contemplate the possibility of an inter partes review after the completion of a post-grant review, the estoppel effect of post-grant reviews may present a practical hurdle to successive post-grant and inter partes review. In all, the system may still present some complexity, particularly for SMEs and individuals.

IP DISPUTE RESOLUTION IN AUSTRALIA

1. Australia does not have a one-stop shop for IP dispute resolution. Instead, there are several courts and tribunals that oversee the enforcement of IP, as illustrated in **Figure 1** below. The Constitution establishes the High Court of Australia. Parliament has the power to create several other federal courts and these are: the Federal Court of Australia, Family Court of Australia, Federal Circuit Court of Australia. These are the "federal" courts, i.e. they handle matters at national level, as opposed to state/territory level. Each state/territory also has its own laws and court system.<sup>130</sup>

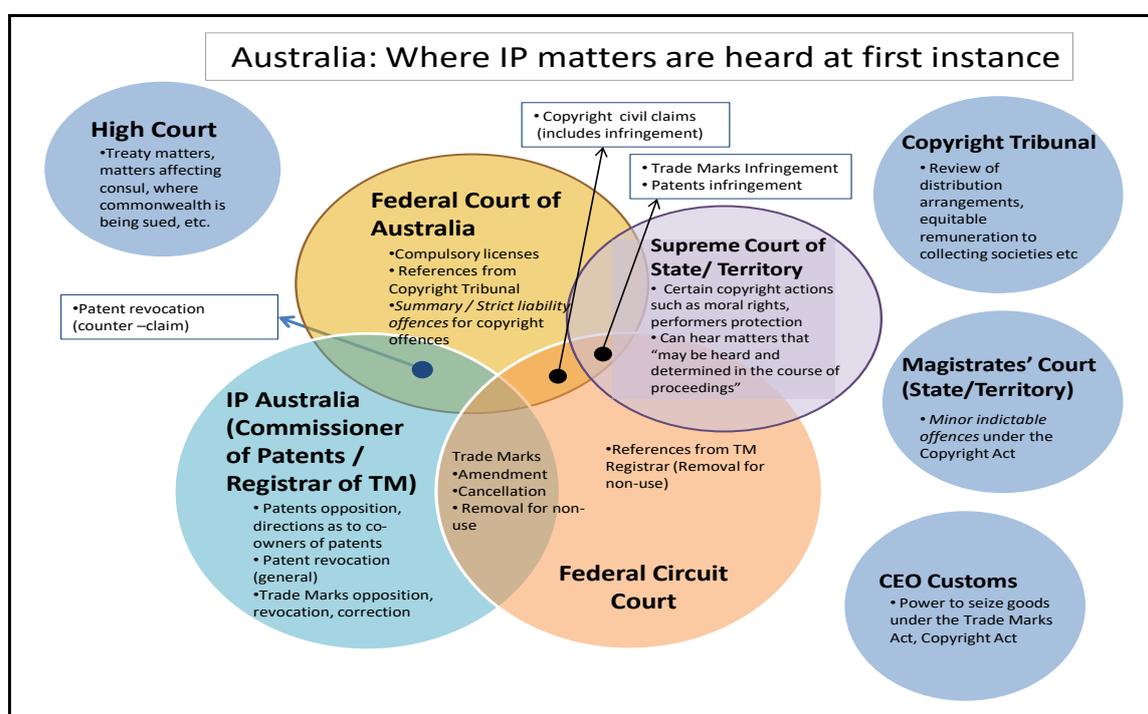


Figure 1: Jurisdiction at First Instance

**Jurisdiction – General points**

2. Generally, the courts' jurisdiction depends on the IP involved (whether it is trade marks, copyright, or patents) or the nature of the matter (whether it is civil or criminal, or whether it involves specific procedures such as border enforcement or review of distribution agreements). Criminal matters are handled by the Magistrates' Court in the relevant State/Territory.<sup>131</sup> The Federal Court of Australia also deals with

<sup>130</sup> <http://www.ag.gov.au/legalsystem/courts/Pages/default.aspx> (Last accessed 1 Jul 2016).

<sup>131</sup> They are considered to be "minor indictable offences", the punishment being 5 years imprisonment or less. For major indictable offences, these are heard at the District/Supreme Court. At the Magistrate Court level, the matters are prosecuted by police, whilst at District/Supreme Court level, they are prosecuted by DPPs. See

summary/strict liability criminal offences,<sup>132</sup> possibly because they are usually offences related to larger copyright infringement actions.

3. As for trade mark actions such as amendment, cancellation, removal for non-use, the Registrar of Trade Marks at IP Australia shares concurrent jurisdiction with the Federal Circuit Court. For trade mark and patent infringement, there is concurrent jurisdiction between the Federal Court, the Federal Circuit Court and the Supreme Court of State/Territory ("**SCSTs**") (i.e. below federal level). For copyright infringement, both the Federal Court and Federal Circuit Court have jurisdiction (and some copyright actions can also be heard in the SCSTs). Some matters can only be heard by a single tribunal at first instance, including patent and trade mark opposition matters (heard in IP Australia), and review of distribution arrangements to collecting societies (heard in Copyright Tribunal).
4. Other types of first instance proceedings such as border enforcement are dealt with directly by the Chief Executive Officer of Customs ("**CEO Customs**"). He is empowered under the Trade Marks Act and the Copyright Act to seize goods which are potentially infringing copies.<sup>133</sup>

### **Appeals – General**

5. As for appeals against these first instance decisions, again, it is a mixed bag of tribunals and courts that have jurisdiction over these appeals. An illustration of the appeals process is found below in **Figure 2**.

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Copyright Act, Part V, Div 5, s 133A(2), and <http://www.lawhandbook.sa.gov.au/ch12s04s02.php> (Legal Service Commission of Australia website) (Last accessed on 1 July 2016).

<sup>132</sup> Copyright Act, Part V, Div 5, 133A(3) (Courts in which offences may be prosecuted). Examples of such offences include: Engaging in commercial-scale infringement (s 132AC), causing work to be performed publicly (s 132AN), recording or film to be heard or seen in public (s 132AO), removing or altering electronic rights management information (s 132AQ).

<sup>133</sup> Trade Marks Act, s 133, Copyright Act s 135(7).

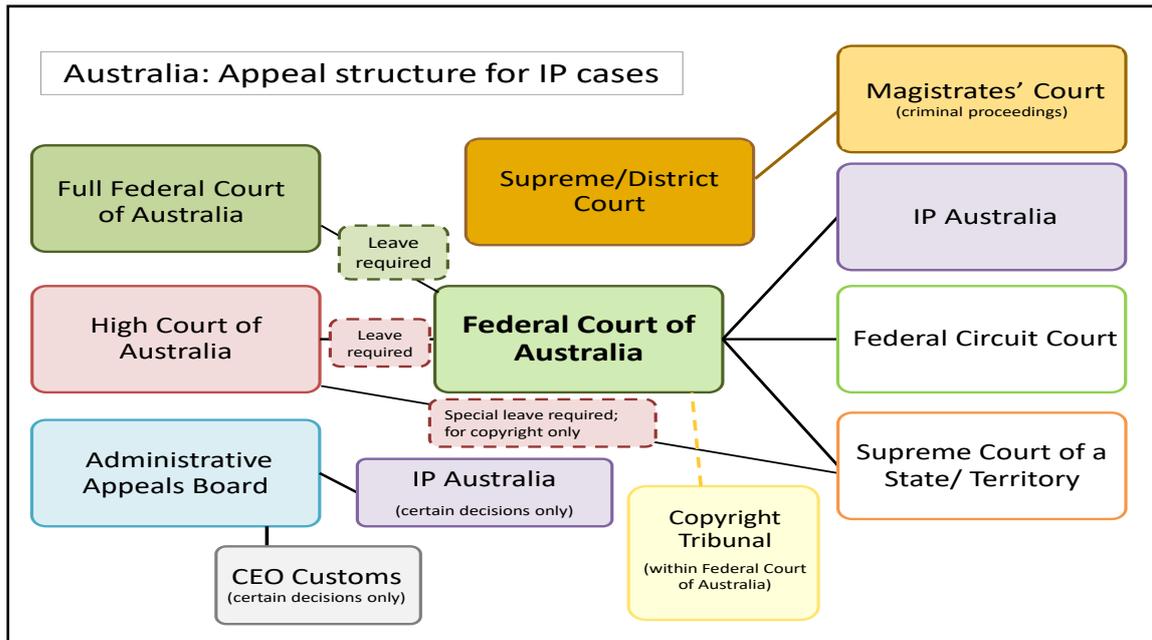
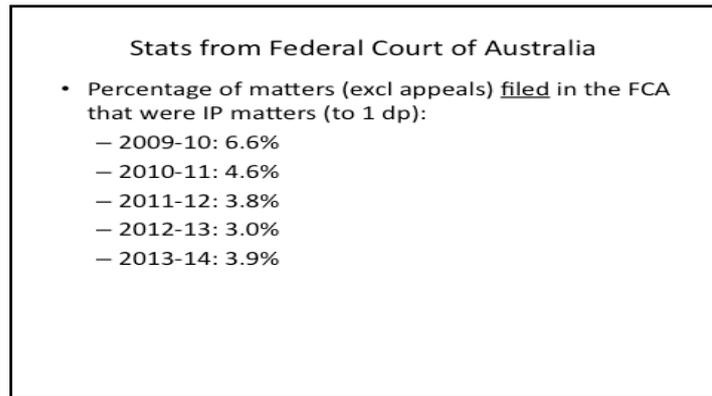


Figure 2: Appeals

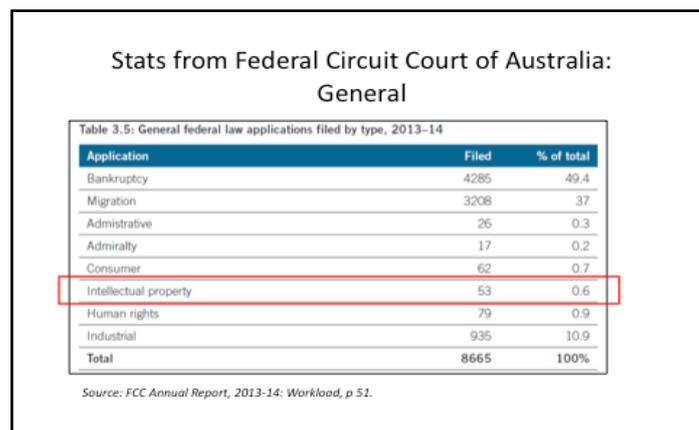
- Generally, decisions from the Federal Circuit Court, SCSTs, and IP Australia will be appealed to the Federal Court, except where the Administrative Appeals Board ("AAT") has jurisdiction. Certain decisions of the CEO Customs are also appealable to the AAT. As for the Copyright Tribunal, these decisions are appealable to the Federal Court of Australia (indeed, the Copyright Tribunal sits within the FCA, and its President / Deputy Presidents are judges of the FCA). Leave is generally required to appeal to the High Court or the Full Federal Court of Australia. For criminal cases, these are heard on an entirely different track, beginning in the Magistrates' Court and appealable to the Supreme/District Court.

### Statistics

- Statistics of IP cases in the Federal Circuit Court and the Federal Court of Australia are extracted at **Figure 3** and **Figure 4**. What is common to these statistics is that IP forms a small portion of the overall case load of each court. In the Federal Court of Australia, IP cases form less than 7% of all cases heard (and this percentage had been decreasing between 2009 and 2014). In the Federal Circuit Court of Australia, IP cases formed just 0.6% of general federal law cases (the other major portion of the FCCA being family law cases) in 2013-14. However, in the FCCA, the absolute number of cases rose between 2012 to 2014, from 40 cases in 2012-13 to 53 cases in 2013-14.



**Figure 3: FCC Statistics**



**Figure 4: FCCA Statistics**

**Federal Circuit Court of Australia**

8. Of the two, the procedures at the Federal Circuit Court of Australia may be of more interest to this review. This is because the FCCA was established for the purpose of providing a simple and accessible alternative to the FCA. In 2013, its IP jurisdiction was expanded to include trade mark and design matters (previously, it handled mainly copyright cases). In the recent Federal Circuit Court Amendment Act 2013 ("**FCCA 2013**"), the Federal Circuit Court Rules 2001 ("**FCCR**") were amended to ensure that the court operates (1) informally (2) using streamlined processes, and (3) encourages the use of appropriate ADR.<sup>134</sup> Notably, the FCCR explicitly states that:

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<sup>134</sup> R 1.03 of the FCC Rules .

### **1.06 Court may dispense with rules**

(1) The Court may in the interests of justice dispense with compliance, or full compliance, with any of these Rules at any time.

(2) If, in a proceeding, the Court gives a direction or makes an order that is inconsistent with any of these Rules, the direction or order of the Court prevails in that proceeding.

9. During the first court date, the Court or Registrar may make a wide range of orders or directions in relation to the proceedings, typically only made during later stages of the proceedings, including fixing the dates for final hearing (see **Appendix G1**).<sup>135</sup> Courts also have the duty to advise parties on dispute resolution processes<sup>136</sup> and may refer proceedings or part of the proceedings for conciliation, *with or without consent* of the parties to the proceedings.<sup>137</sup> From the statistics on IP cases, 26% were referred to mediation in 2013-14. Of these, however, 3 were not held, 2 were resolved, and 4 were not resolved.<sup>138</sup>
10. Another feature of the FCCA is their docket case management system. Matters are randomly allocated to a judge who manages it from commencement to disposition, including making orders about the way in which the matter should be managed or prepared for hearing. Matters requiring specialised expertise are allocated to a judge who is a member of a specialist panel. IP is part of the “Commercial” specialist panel (the others are: migration/administrative law, human rights, industrial law, national security, admiralty, child support).<sup>139</sup>

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<sup>135</sup> R 10.1 – 10.3 of the FCCA Rules.

<sup>136</sup> S 23(1), FCC Act. If the Federal Circuit Court of Australia considers that a dispute resolution process may help the parties to a dispute before it to resolve that dispute, the Federal Circuit Court of Australia must advise the parties to use that dispute resolution process.

<sup>137</sup> R 10.05, FCC Rules.

S 26 FCC Act

(1) The Federal Circuit Court of Australia may, by order, refer proceedings in the Federal Circuit Court of Australia, or any part of them or any matter arising out of them, for conciliation in accordance with the Rules of Court.

(2) Subsection (1) has effect subject to the Rules of Court.

(3) Referrals under subsection (1) to a conciliator may be made with or without the consent of the parties to the proceedings.

<sup>138</sup> FCC Annual Report, 2013-14, p 64.

<sup>139</sup> FCC Annual Report, 2013-14, p 41. Note: The FCC has a “less formal legislative mandate”, “a significant number of parties present as self-represented litigants” (FCC Annual Report, p 63).

11. From FCCA's statistics for the year 2013-14, for general federal law cases (which include IP cases), 71% of all applications were completed within 6 months, and 85% of these applications were completed within 12 months (KPI: 90% of applications to be completed within 6 months). 71% of matters were also resolved without the need for judicial determination (KPI: 60% of matters to be resolved before trial).<sup>140</sup>

### **The Administrative Appeals Tribunal**

12. Another tribunal of interest is the AAT, which has been a feature of the Australian legal system since 1976. Its role is to provide a review mechanism for administrative decisions in a manner that is "fair, just, economical and quick."<sup>141</sup> The AAT is within the purview of the Attorney-General. Generally, it reviews a wide range of administrative decisions made by Australian Government ministers, departments, agencies, and some other tribunals. In limited circumstances, it reviews administrative decisions by state government and non-government bodies.<sup>142</sup>
13. Notably, Section 33 of the AAT Act requires that proceedings of the AAT be conducted with as little formality and technicality, and with as much expedition as possible. The AAT is also not bound by rules of evidence and can inform itself in any manner that it considers appropriate.<sup>143</sup> Generally, after the relevant documents are filed, there will only be two conferences held. The first conference is held 6 to 10 weeks after the application for review is filed, and the second is held 12 to 16 weeks after the first conference (See **Figure 5**).<sup>144</sup> This may be in person or by telephone. If the matter is not settled during the conference process, ADR may be recommended. If the matter goes for a hearing, both parties will give details as to the witnesses they will call, and state whether witnesses' evidence can be tendered by way of consent with no cross-examination, and give an estimate of hearing time. Specific directions may also be given at any time.

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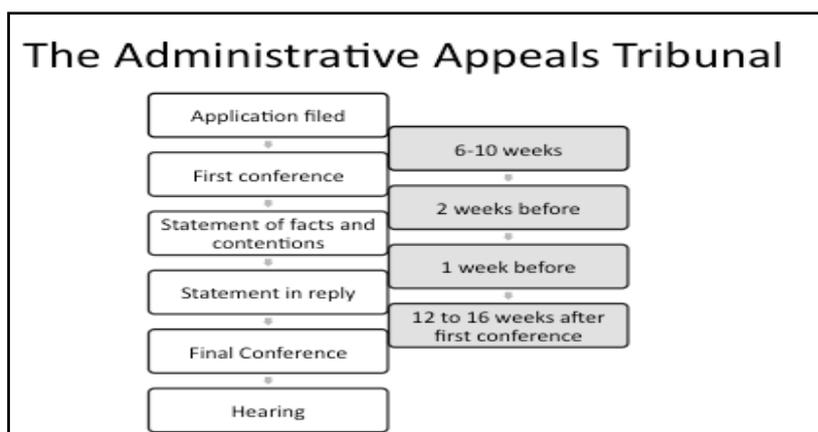
<sup>140</sup> FCC Annual Report, 2013-14, p 38.

<sup>141</sup> The Administrative Appeals Tribunal Act 1975 ("AAT Act"), s 2A(b).

<sup>142</sup> <http://www.aat.gov.au/about-the-aat/what-we-do> (Last accessed 8 Jul 2016).

<sup>143</sup> See AAT Act, s 25(4A).

<sup>144</sup> Any departure from these procedures must be with the consent of the Tribunal. Once a matter has been listed for hearing before the Tribunal, an adjournment will not be granted unless there are good reasons to justify the adjournment. Source: General Practice Direction, at [4.23] and [4.29], <http://www.aat.gov.au/AAT/media/AAT/Files/Directions%20and%20guides/General-Practice-Direction.pdf> (Last accessed 8 Jul 2016).



**Figure 5: The Administrative Appeals Tribunal**

### **The IP Laws (Raising the Bar) Amendment Act of 2012**

14. Finally, there does not seem to have been any holistic review to place all these courts and tribunals dealing with parts of the IP enforcement system within a one-stop portal. In 2012, however, improvements were made to the IP system via the Intellectual Property Laws (Raising the Bar) Amendment Act of 2012. These amendments were deemed to be Australia's biggest IP system overhaul in 20 years<sup>145</sup> and were, *inter alia*, aimed at reducing red tape and ensuring access to a simplified and effective IP system for users.<sup>146</sup>
  
15. The way in which these aims were achieved, however, suggest that rather than a "system overhaul", the amendments were carefully targeted at various sections of the relevant legislation rather than a sweeping change in practice and procedure. Examples of the changes are:<sup>147</sup>
  - a. Patents Act s 50A: Commissioner of Patents given the discretion to revoke acceptance of an application where an administrative error has resulted in acceptance (substantive questions still go to re-examination or opposition process)
  - b. Patents Act s 224: Administrative Appeals Tribunal allowed to review the merits of a decision of the Commissioner to grant or refuse inspection or production of documents that are not open to public inspection
  - c. Trade Marks Act (various sections): Federal Magistrates' Court given jurisdiction to hear and decide trade mark matters

<sup>145</sup> <https://www.ipaustralia.gov.au/about-us/legislation/raising-bar-act> (Last accessed 1 Jul 2016).

<sup>146</sup> *Ibid.*

<sup>147</sup> Taken from IP Australia's report titled "*IP Reform in Australia: A summary of important legislative changes*" (July 2013).

- d. Designs Act (various sections): Federal Magistrates' Court given jurisdiction to hear and decide designs matters
- e. Patents, Trade Mark, Designs Acts (various sections): Commissioner of Patents, Registrar of Trade Marks/Designs, all given discretion to determine if an oral hearing is necessary or if written submissions are sufficient for certain matters.

### **Conclusion**

16. To summarise, the IP dispute resolution system in Australia may be a useful model to examine more closely, especially the simplified procedures in the Federal Circuit Court and the Administrative Appeals Tribunal. This may be useful in bringing down costs for individual or SME claimants/defendants as it removes the procedural hurdles that typical litigants face in traditional court proceedings.

***Part 10—How to conduct proceedings***

*Division 10.1—First court date*

**10.01 Directions and orders**

(1) At the first court date, the Court or a Registrar is to give orders or directions for the conduct of the proceeding.

(2) Without limiting subrule (1), the Court or a Registrar may hear and determine all or part of the proceedings.

(3) The Court or a Registrar may make orders or directions in relation to the following:

- (a) the manner and sufficiency of service;
- (b) the amendment of documents;
- (c) defining of issues;
- (d) the filing of affidavits;
- (e) cross-claims;
- (f) the joinder of parties;
- (g) primary dispute resolution;
- (h) the admissibility of affidavits;
- (i) discovery and inspection of documents;
- (j) interrogatories;
- (k) inspections of real or personal property;
- (l) admissions of fact or of documents;
- (m) the giving of particulars;
- (n) the giving of evidence at hearing (including the use of statements of evidence and the taking of evidence by video link or telephone or other means);
- (o) expert evidence and court experts;
- (p) transfer of proceedings;
- (q) costs;
- (r) hearing date;
- (s) any other matter that the Court or Registrar considers appropriate.

***10.02 Adjournment of first court date***

(1) If the parties agree that, because of short service or other special circumstances, it is not appropriate to proceed on the date fixed the parties may ask a Registrar in writing to adjourn the first court date to another date.

(2) The Registrar may adjourn the first court date to the date requested by the parties or to another date that is practicable.

***10.03 Fixing date for final hearing***

At the first court date the Court or a Registrar may:

- (a) fix a date for final hearing; or
- (b) direct the parties to arrange with the Registrar a date for final hearing; or
- (c) fix a date after which either party may request a date for final hearing; or
- (d) remove the matter from the list.