

CHAPTER 13 INTELLECTUAL PROPERTY LICENSING

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SECTION 1 INTRODUCTION

13.1.1 The most lucrative works of intellectual property are often exploited in a number of ways. For example, rights in relation to a popular novel may comprise volume rights, serialisation rights (in print media), translation rights, film rights and dramatization rights. Licensing is a major tool for intellectual property exploitation. Intellectual property statutes permit exclusive rights to be licensed or assigned separately. This chapter sets out the applicable principles to intellectual property licensing in Singapore, and also focuses on certain specific licences in specific.

13.1.2 This chapter will discuss the formalities and registration requirements for intellectual property licences in Singapore, and rights of exclusive licensees, revocation and assignability. Thereafter, the discussion will shift to more

specific topics for discussion, in the areas of software licensing developments, know how and information control, implied licences, repair rights, parallel importation and dealings over the internet, concluding with a discussion on the impact of Singapore's new Competition Act on intellectual property licensing, and a section on compulsory licensing.

13.1.3 As a prelude the next section addresses the choice that confronts the exploiter of works: whether to choose a licence or assignment.

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SECTION 2 LICENCE OR ASSIGNMENT?

13.2.1 The choice is usually one between an assignment or an exclusive licence. In practice there is little difference, but should any ambiguities arise in connection with the choice, an assignment is in essence a (full or partial) transfer of ownership, while a licence is in essence permission to do what otherwise would be infringement. But as always the drafting of the grant clause is critical. If a licence purports to grant more than bare permission, it may acquire the characteristics of a property right. On the other hand, an assignment may not necessarily fail if technical terminology is not used. A licensee's freedom to make alterations is also likely to be more restricted than an assignee's – he is not allowed to perform alterations to the licensed work unless the licence provides otherwise. A licensee may be unable to assign or sub-licence his interest – a prerogative which a licensor would wish to reserve to himself, unless he grants an exclusive licence (explained further below).

13.2.2 As a matter of strict commercial advantage, licensing is advantageous because it allows the licensor/right owner to retain control over the use of his right, against a continuing royalty stream maximising return. The licensor is also able to maximise exploitation in terms of territory, goods or services covered and the volume of sales. Another notable advantage of licensing is that the difficulty of valuing an intellectual property right often results in an assigning party obtaining a smaller return for his right, compared to the financial rewards which may be realised from long term licensing, with the licensor retaining full rights. A licensing arrangement, however, may create a competitor and possible challenger to the validity of the licensor's registrations. There may also be continuing obligations, including the need to enforce rights on behalf of licensees (taking a proactive approach to trademark infringements).

13.2.3 Intellectual property statutes are peppered with references to formalities and registration requirements.

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SECTION 3 FORMALITIES AND REGISTRATION REQUIREMENTS UNDER SINGAPORE LAW

13.3.1 This section addresses (a) the requirement of writing and (b) the registration of a licence in order for it to be effective.

The Requirement of Writing

13.3.2 For registered intellectual property rights, it is often a requirement that a licence be in writing to be effective. The Interpretation Act (Cap 1) provides that 'writing' and expressions referring to writing include printing, lithography, typewriting, photography and other modes of representing or reproducing words or figures in visible form. Section 42 of the Trade Marks act (Cap 332) ('TMA') is most explicit, and specifies that a trade mark licence is not effective unless it is in writing signed by or on behalf of the grantor. The writing requirement is more implicit with registered designs, since the signature of the grantor of the licence is required for the purposes of recordal: section 37(2)(b) Registered Designs Rules ('RDR'). Unlike the trade marks and registered designs legislation, the Patents Act (Cap 221) does not require that a licence be entered in any particular form. As in the United Kingdom, an oral licence should be enforceable. For licences that are not performed within one year of the agreement, section 6(e) Civil Law Act (Cap 43) stipulates a writing and signature requirement for such agreements to be effective.

13.3.3 For copyright licences, the requirement of 'writing' may also be implicit from how the Copyright Act (Cap 63) ('CA') defines an exclusive licence; as 'a licence in writing, signed by or on behalf of the owner or prospective owner of copyright, authorising the licensee, to the exclusion of all other persons, to do an act that, by virtue of this Act, the owner of the copyright would, but for the licence have the exclusive right to do...'.

Registration Requirements

13.3.4 With registrable intellectual property rights, licences are registrable transactions. Until an application has been made for registration of the prescribed particulars of a registrable licence, that licence would be ineffective against a person acquiring a conflicting interest in the right in ignorance of the licence: section 34 Registered Designs Act ('RDA'); section 43 PA; section 39(3) TMA. In the arenas of designs and patents, there are statutory limitations as to a right in damages or account of profits in respect of any infringement of the registered design or patent occurring after the date of the licence and before the date of application for the registration of the particulars of the licence: section 34(4) RDA; section 75 PA (for infringements occurring after the licence is executed, the transaction must be registered within 6 months of the date of the transaction, unless the court is satisfied that it was not practicable to register it in that period). The trade marks legislation amendments which took effect from 1 July 2004 no longer impose a requirement that a licence has to be recorded before the licensee is entitled to enforce its right to damages, account of profits or damages, notwithstanding non-registration.

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SECTION 4 RIGHTS OF EXCLUSIVE LICENSEES

13.4.1 An exclusive licence is created when a licensee is conferred a licence to the exclusion of others, including the grantor of the licence. (see section 2(1) PA; section 7(1) CA; section 43(1) TMA; section 2(1) RDA).

13.4.2 An exclusive licensee has the same rights of action and remedies as the right owner. The exclusive licensee has the right to sue in his or her own name, and enjoys concurrent rights of action together with the right owner. Previously, the legislation required that, in the situation where the right owner and exclusive licensee held concurrent rights of action, neither owner or licensee was entitled to proceed in respect of that infringement unless the other party was joined as a plaintiff or added as a defendant, save with the leave of Court. That position has now changed.

13.4.3 With amendments to the CA that took effect from 1 January 2005, where both copyright owner and exclusive licensee have concurrent rights of action, either party is entitled to proceed with the action without joining the other party as a plaintiff or adding the party as a defendant in the action, unless the Court orders otherwise (section 119 CA, as amended). Where an action for infringement is commenced by the exclusive licensee, the Court, in assessing damages or statutory damages, shall take into account any liabilities in respect of royalties or otherwise, to which the licence is subject (section 126(a) CA). In the same context, the Court may also take into account any pecuniary remedy already awarded to the other party in respect of that infringement (section 126(b) CA). Provision is also made for the apportionment of profits between the copyright owner and the exclusive licensee (section 127 CA). Similar provisions are found in the amendments to the TMA and RDA which took effect from 1 July 2004 (see sections 45(1), (5) and (8) TMA, and section 38 RDA, as amended).

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SECTION 5 REVOCATION

13.5.1 Where permission is given, without any contractual consideration, such a bare licence may be revoked at will or at least after reasonable notice. Where the licence is contractual, its revocability must be in accordance with the contractual terms. If there is no express or implied right of revocation, then revocation is in breach of contract. The common law remedy for wrongful revocation is damages for breach of contract, but equity will prevent the licensor from revoking the licence or treating the licensee as an infringer if there has already been a purported revocation. A licence by estoppel can also arise: where a right owner has led another to the belief that he will not insist on his strict legal rights, and the other acts on the belief to his detriment. In such a situation, the Court may decide that the right owner was estopped from denying that he had licensed the other party.

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SECTION 6 TRANSFERABILITY/ASSIGNABILITY

13.6.1 Intellectual property licences are generally binding on successors-in-title, except a purchaser in good faith for value without actual or constructive notice of the licence, or a person deriving title from such purchaser (section 194(4) CA). The assignment of a licence may be proscribed by its express terms. In the case of electronic copies of any material purchased on or after 15 December 1999, if there are no express terms prohibiting the assignment of any licence or terminating any licence on transfer, anything that the purchaser was allowed to do may also be done without infringement of copyright by a subsequent transferee (section 193F(2)(a) CA).

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SECTION 7 SPECIALISED TOPICS – SOFTWARE LICENSING

13.7.1 The efficacy of computer software sitting within the framework of copyright as a literary work was the subject of much discussion in the 80s and 90s. Software licensing has surged ahead with onerous end-user agreements and other site licences. In Singapore, we have seen at least one judicial decision pronouncing the validity of online contracts, and discussing formation issues.

13.7.2 Some hint of the judicial approach that may be taken towards on-line licensing in Singapore may be seen from [Chwee Kin Leong Ors v Digilandmall \[2004\] 2 SLR 594](#). The facts are briefly as follows. The plaintiffs placed orders with the defendants over the internet for a total of 1,606 laser printers. The defendants operated a website. It later turned out that a huge order had been placed because the price of each laser printer was mistakenly stated to be \$66.00. The actual sale price of each laser printer was \$3,854. An employee of Digilandmall had inadvertently uploaded a template from a training session, and the erroneous price was posted. Once orders were received, confirmation notes were issued almost immediately. Upon discovering the error, Digilandmall immediately took down the advertisement, and informed all who had placed their orders of the error. They also said that they would not be able to meet any of these orders. 784 persons took orders for a total number of 4,086 printers. Of this number, the six plaintiffs had collectively ordered 1,606 printers, and commenced action to enforce the contract. The defendants resisted the claim by arguing that there was no concluded contract. Furthermore, a genuine mistake had been made when the low prices were posted, and this mistake was known or ought to have been known to the plaintiffs. The Court held that there was a concluded contract on the facts, but that this contract was vitiated by the doctrine of mistake. The Court's approach towards contractual formation yields many applicable principles for on-line licensing. Its equally robust approach taken towards unilateral mistake lies outside the scope of this paper. For a thorough discussion of the decision, see

Phang 'Contractual Formation and Mistake in Cyberspace – The Singapore Experience' (2005) 17 SAclJ 361.

13.7.3 The Court in *Digilandmall* decided that basic principles of contract law continue to prevail in contracts that are made on the internet. The same can be said for on-line licences. The learned Judicial Commissioner VK Rajah (as he then was) was quick to mention that '...not all principles will or can apply in the same manner that they apply to traditional paper-based and oral contracts. It is important not to force into a procrustean bed principles that have to be modified or discarded when considering novel aspects of the internet.' The learned Judge held that email acceptances that were sent out by *Digilandmall* constituted unequivocal acceptances. After an involved discussion on the applicability of the general rule (that is based on receipt) and 'postal rule' of acceptance to email communications, the learned Judge ultimately favoured the 'general' rule (para 98). From this decision, one might expect the Courts to apply the 'recipient' rule on a 'default' basis for intellectual property licences that are concluded through email communications or acceptances.

13.7.4 In contrast to email transactions, the learned Judge in *Digilandmall* said that transactions over the worldwide web appeared to be clearer and less controversial. His Honour held (at para 101):

'Transactions over websites are almost invariably instantaneous and/or interactive. The sender will usually receive a prompt response. This recipient rule appears to be the logical default rule.'

13.7.5 The separate question of incorporating licence terms (especially onerous ones), as well as formation of contractual licences, will continue to plague the enforceability of 'click-wrap' licences (where users may be bound by on-line terms and conditions without actually reading these terms, through the click of a mouse). For licence conditions that are posted on a website for acceptance, the Courts may adopt an approach similar to that taken in relation to website advertisements by the learned Judge in *Digilandmall* (para 93-94) – the licence will be binding as soon as a prospective licensee agrees to its terms (whether through email or on the website itself).

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SECTION 8 SPECIALISED TOPICS – KNOW-HOW AND INFORMATION CONTROL

13.8.1 The purpose of a know-how licence is to permit the licensee to make use of the information provided for a delineated purpose. Normally, the agreement will limit the extent to which the 'know-how' can be imparted to others, and use by a licensee after termination of the licence may also be curtailed.

13.8.2 More often than not, the use of contracts would fetter the freedom with which one party may use information which has been communicated to

him. In one case where a news agency provided stock exchange and horse-racing statistics to its subscribers, it was able to prevent the information from being transmitted to non-subscribers because a restriction in the subscription contract proscribed this activity. Similarly, a time period during which such information cannot be used can also be contractually imposed.

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SECTION 9 SPECIALISED TOPICS – IMPLIED LICENCES

13.9.1 Intellectual property licences can also arise by necessary implication from the circumstances surrounding a transaction. Licences are implied to lend efficacy to a business arrangement; for example, a letter that is sent to the forum page editor of the Straits Times. It would carry an implied licence that operates in favour of the newspaper publishing the letter. Another oft-cited example is the developer's implied licence to use and copy an architect's proprietary plans to build homes.

13.9.2 The courts are less likely to imply a licence for the purpose of excluding infringement altogether, even if that follows as a necessary consequence of the implication. Firm judicial caution against the exorbitant use of implied licences to excuse infringing acts was issued by the Court of Appeal in *Creative Technology v Aztech Systems* [1997] 1 SLR 621 (involving the disassembly of Creative's Soundblaster firmware). Aztech admitted intermediate copying of an auxiliary program to the Creative SoundBlaster called TEST-SBC, but argued, inter alia, that the act of copying the program fell within the rights that were inherent in the lawful ownership of a copy of software, where such use was not for an 'unreasonable purpose'. The basis for this proposition was the nineteenth century patent case of *Betts v Willmott* (1871) LR 6 Ch 239; subsequently followed in several commonwealth decisions, including the Canadian decision of *North American Systemshops v King* (1992) 27 CPR (3d) 367.

13.9.3 If Aztech's argument was carried, it could have imported a disturbingly wide proposition into copyright, which is to say that the sale by the plaintiff of its product over the counter could constitute the grant of implied permission to the purchaser to do whatever he wished with a product. The Court of Appeal recognised that the Betts proposition had no application in Singapore copyright law. It recognised that the notion of 'unfettered' use was not one that sat comfortably within copyright principles, and on the instant facts would have given a user of software a carte blanche to perform unauthorised infringing acts of copying in the reverse engineering process. The Court followed the decision of *Time Life International v Interstate Parcel Express* [1978] FSR 251, where the Australian High Court restricted the Betts proposition only to patent cases. The High Court recognised the distinction between the exclusive rights for both patents and copyright. The patent owner had exclusive rights to 'make, use, exercise and vend.' By contrast:

'The owner of copyright has not the exclusive right to use and sell the work in which copyright subsists...The buyer of a book in which copyright subsists does not need the consent of the owner of the copyright to read, or speak generally, to re-sell [the work]. The necessity to imply a term in the contract which exists when a patented article is sold does not arise on the sale of a book which is the subject of copyright. It was not, and could not be suggested that the sale of a copy of a [work] is to do the acts complained in the copyright....' (Time Life at 272)

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SECTION 10 SPECIALISED TOPICS – DEALINGS OVER THE INTERNET

13.10.1 Certain licences can be readily implied for dealings over the Internet. Intermediate computers and servers that are involved in an internet transaction would appear to be impliedly licensed to copy packets of data that are passed to the end user. A reasoned argument may be made that a licence can be implied as a matter of business efficacy, since the copyright owner made the information available over the internet. It would also seem fair that implied licence only applies to the extent that the intermediary (whether a user's computer or server) can pass on the packets of data in the course of on-line transmission.

13.10.2 The more recent amendments to the CA have clarified that temporary copies made out of technological necessity, or for viewing, listening or utilisation across the internet in the course of transmission will no longer be potential infringements. Section 193E CA provides a user caching exemption:

'Copyright in any material is not infringed by the making of a transient and incidental electronic copy of the material from an electronic copy of the material made available on a network, if the making of the first-mentioned copy is required for the viewing, listening or utilisation of the material by a user of this or another network.'

13.10.3 'Material' under section 193A CA refers to any work or subject matter other than work in which copyright subsists. In the context of the new communication right introduced after the implementation of US-Singapore Free Trade Agreement, section 38A CA clarifies that copyright in a work is not infringed by making of a temporary or transient reproduction of the work if the reproduction is made incidentally as part of the technical process of making or receiving a communication; and the act of making the communication itself does not constitute an infringement.

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SECTION 11 SPECIALISED TOPICS – RIGHTS OF REPAIR

13.11.1 The non-derogation of grant doctrine (or 'repair exception') follows the authority of *British Leyland v Armstrong* [1986] RPC 279, which recognises that a person may repair an article as part of the original grant of the original design. In *British Leyland*, the House of Lords had to consider a copyright claim to the design of exhaust pipes for cars that were manufactured by British Leyland. The market for this 'spare part' was lucrative and British Leyland wanted to capitalise on its licensing rights. A majority of the Law Lords was persuaded that the sale of a car carried an implied licence to use car designs for the purposes of effecting repairs. They went beyond the implied licence to the doctrine of 'non-derogation from grant'. British Leyland could not object to any party using the designs in the course of repairing its vehicles. Cornish and Llewellyn have observed the difficulties of applying an implied licence: (1) how can an implied licence extend to protect a parts manufacturer? (2) how can its exclusion by an express statement to the contrary in the initial contract of sale be prevented? (Cornish & Llewellyn *Intellectual Property* (5th Ed) (Sweet & Maxwell, 2003) at page 539)

13.11.2 It has been questioned whether the repair exception can be applied to software use, so as allow for example, the creation of back-up copies of software (in the days before a statutory exception became available). More recent cases have demonstrated a judicial reluctance to extend the 'repair exception' to other situations. In *Saphena v Allied Collection Agencies* [1995] FSR 616, the defendants (who made use of the plaintiffs' source code for the limited purpose of repair and maintenance) were not entitled to copy the source programs in the absence of a licence. The defendants could not rely on the British Leyland doctrine to justify its activities of reproduction and retention.

13.11.3 In *Creative Technologies v Aztech Systems* (above), Aztech also argued that it had an implied right to make an intermediate copy of Creative's TEST-SBC program, in the course of reverse engineering activity, based on the 'repair exception' in British Leyland. The Court of Appeal dismissed this argument, on the primary ground that the 'creation of a compatible and competing sound card is materially distinguishable from a situation of repair'. Such arguments may be moot in view of a specific decompilation defence in the Singapore Copyright Act, as well as an expanded 'fair dealing' defence.

13.11.4 More recently the Privy Council has refused to hold that the British Leyland doctrine can apply to cartridge designs which had to be replaced regularly in laser printers and copiers: *Canon v Green Cartridge* [1997] FSR 817. A situation of 'repair' (as opposed to replacement of cartridges) was not disclosed on the facts. In *Mars v Tecknowledge* [2000] FSR 138, it was also held that the re-calibration of coin machines did not fall within the scope of the British Leyland defence (at paras 22-28).

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SECTION 12 SPECIALISED TOPICS – PARALLEL IMPORTS AND EXHAUSTION OF RIGHTS

13.12.1 In the era of free trade and trade-related intellectual property rights, intellectual property legislation now exhibits a greater tolerance of parallel imports or grey market goods.

13.12.2 Unauthorised importation gives rise to liability for the secondary copyright infringement. Sections 32 and 104 Copyright Act establish the following requisites to establish liability:

- (a) The importation of the article is without the licence of the owner of the copyright.
- (b) The article is imported into Singapore essentially for commercial purposes, ie:
 - i. Sale, hire or offering or exposing by way of trade for sale or hire;
 - ii. Distribution for the purpose of trade, or for any other purpose to an extent that will prejudicially affect the copyright owner;
 - iii. Exhibition of the article by way of trade in public.
- (c) The importer knows or ought reasonably to know, that the making of the article was carried out without the consent of the owner of the copyright.

13.12.3 Legislative amendments to the Copyright Act in 1994 (the Copyright (Amendment) Act 1994) have clarified that the 'owner of the copyright' refers to:

- (a) a person entitled to the copyright in respect of its application to the making of an article of that description in the country where the article was made; or
- (b) if there is no person entitled to the copyright in respect of its application to the making of an article of that description in the country where the article was made, the person entitled to the copyright in respect of that application in Singapore.

13.12.4 The amendments to the Copyright Act also clarified that the making of an article is deemed to have been carried out with the 'consent of the copyright owner', if after disregarding all conditions as to sale, distribution or other dealings in the article after its manufacture, the article was made with the licence of the relevant copyright owner. It would be apparent from the above that a copyright owner's licence (whether in the country of manufacture or Singapore) may result in the lawful parallel importation of copyright articles.

13.12.5 Other provisions of note include section 66(2)(g) Patents Act, which provides that it is a defence to infringement to show that the imported product was produced by or with the consent (conditional or otherwise) of the proprietor of the patent or his licence. Section 29(1) of the Trade Marks Act states that a registered trade mark is not infringed by the use of the trade mark in relation to goods which have been put on the market, whether in Singapore or outside Singapore, by the proprietor of the registered trade mark or with his express or implied consent (conditional or otherwise). This is subject to all-

important caveat in section 29(2) that sub-section (1) does not apply where the conditions of the goods have been changed or impaired after they have been put on the market, and the use of the registered trade mark in relation to these goods is detrimental to the distinctive character or repute of the registered trade mark.

13.12.6 A substantive topic of concern is the Competition Act 2004. This new regime that governs anti-competitive agreements and conduct, has carried with it additional fetters on intellectual property licensing in Singapore, which is discussed in the next section.

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SECTION 13 SPECIALISED TOPICS - COMPETITION LAW AND ITS IMPACT ON LICENSING IN SINGAPORE

13.13.1 The Competition Act 2004 was passed on 19 October 2004. It heralds a new era of anti-competitive guidelines that will traverse a range of economic activity and 'undertakings'. With the implementation of Competition law in Singapore, the first step is the establishment of a Competition Commission. This newly formed regulatory authority will be charged with the responsibility of enforcing the Act (undertaking investigations and imposing sanctions where there is a breach), and recommending block exemptions for anti-competitive agreements.

Section 34 Competition Act

13.13.2 First, section 34 prohibits and avoids agreements, decisions or concerted practices 'which have as their object or effect the prevention, restriction or distortion of competition within Singapore'. Agreements that are proscribed include those which:

- (i) directly or indirectly fix purchase or selling prices or any other trading conditions;
- (ii) limit or control production, markets, technical development or investment;
- (iii) share markets or sources of supply;
- (iv) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage; or
- (v) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

Section 47 Competition Act

13.13.3 Second, section 47 prohibits any conduct 'which amounts to the abuse of a dominant position in any market in Singapore' including:

- (i) predatory behaviour towards competitors;

- (ii) limiting production, markets or technical development to the prejudice of consumers;
- (iii) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage; or
- (iv) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of the contracts.

Section 54 Competition Act

13.13.4 Thirdly, any merger that has resulted or may be expected to result in 'a substantial lessening of competition within any market in Singapore for goods or services' is also prohibited under section 54 of the Competition Act.

Vertical Agreements

13.13.5 Para 8(2) of the Third Schedule defines a 'vertical agreement' to mean '..any agreement or concerted practice entered into between 2 or more undertakings each of which operates, for the purposes of the agreement, at a different level of the production or distribution chain, and relating to the conditions under which the parties may purchase, sell or resell certain goods or services.' These agreements are excluded from the scope of the Competition Act, together with undertakings that are already regulated by other competition codes (for example the area of telecommunications, media and energy); activities that are subject to pre-existing legal requirements as well as exclusions justified on the grounds of public policy. (Paras 2 and 4 of the Third Schedule)

13.13.6 The Competition Act also sets out a mechanism for the Minister to issue Block Exemptions.

Licensing Conduct

13.13.7 Singapore's intellectual property legislation already contains certain safeguards against possible anti-competitive behaviour. The PA proscribes certain restrictive licensing conditions such as prohibiting the licensee from using a competitor's patented product/process (section 5(1) PA). Anti-competitive conduct is also dealt with under section 27(1) of the Layout Designs for Integrated Circuits Act. Under the CA, the Copyright Tribunal has the mandate to arbitrate between licensors and licensees (Part VII CA)

13.13.8 The refusal by a dominant party to grant an IP licence can potentially constitute an abuse of dominant position, and breach section 47 of the Competition Act. Based on jurisprudence from Europe, the refusal by a dominant party to grant an intellectual property licence can in certain situations constitute an abuse of dominant position, and breach section 47 of the Competition Act.

13.13.9 The Consultation Paper issued by the Ministry of Trade and Industry has stated in generic terms that where the exercise of the IPR is anti-

competitive, it would be subject to competition law. (Para 8 of Annex C, Consultation Paper 'The Relationship between Competition Law and Intellectual Property Rights')

13.13.10 It goes on to say that in considering whether a business activity involving the exercise of IPR would have any competition concerns, the Competition Commission would adopt an 'economics-based-cost-benefit analysis' or 'rule of reason' approach. The Competition Commission is likely to take a holistic view and look at the overall net welfare effects of the activity to decide whether a particular use of an IP right reduces welfare in Singapore (para 9 Annex C, Consultation Paper). We have also been told that the Competition Commission will develop guidelines after the enactment of the competition law on how it would view IPR-related business activities (para 10 Annex C, Consultation Paper).

13.13.11 The Competition Commission of Singapore (CCS) has been conducting a public consultation on draft guidelines relating to the treatment of intellectual property rights under sections 34 and 47 of the Competition Act. Following these consultations the CCS issued Guidelines on the Treatment of Intellectual Property Rights in December 2005 ("the Guidelines").

13.13.12 In the Guidelines it has been stated that Licensing arrangements can raise competition concerns if they are likely to adversely affect the price, quantity, quality or variety of products that are currently or potentially available. In the Guidelines the CCS has indicated that it will normally analyse the competitive effects of licensing arrangements within the relevant markets for the products that are affected by such arrangements. The Guidelines provide special competition considerations for technology and innovation markets. For the purpose of a section 34 prohibition, this is done by reference to a general framework that comprises 3 steps:

- (1) What is the competitive relationship between the undertakings at the time the agreement is made?
- (2) Whether the agreement and licensing restraints restrict actual or potential competition that would have existed in their absence. There will be an evaluation of the impact on both inter-technology and intra-technology competition.
- (3) Whether an agreement which falls within the scope of section 34 may have a net economic benefit. The Guidelines provide that an agreement may have a net economic benefit, where it contributes to improving production or distribution or promoting technical or economic progress and it does not eliminate competition in respect of a substantial part of the goods or services in question (such an agreement is excluded by section 35 of the Competition Act).

13.13.13 The Guidelines also stipulate an "Appreciable Adverse Effect on Competition Test" (paras 3.13 et seq), stating that a licensing agreement will generally have no appreciable adverse effect on competition:

- (a) if the aggregate market share of the parties to the agreement does not exceed 25% on any of the relevant markets affected by the agreement, where the agreement is made between competitors;
- (b) if the market share of each of the parties to the agreement does not exceed 35% on any of the relevant markets affected by the agreement, where the agreement is made between non-competitors.

Where it is difficult to classify an agreement as an agreement between competitors or an agreement between non-competitors, the 25% threshold is applicable.

13.13.14 The Guidelines also states that a licensing agreement between competitors which involves price-fixing, market-sharing or output limitations will always have an appreciable adverse effect on competition, notwithstanding that the market shares of the parties are below the levels stated above.

13.13.15 The Guidelines usefully set out special considerations in the application of the section 34 prohibition to particular licensing restraints or arrangements.

- (a) Licensing agreements which directly or indirectly restrict the ability or incentive of any of the parties to carry out independent R&D may have anti-competitive effects.
- (b) Grantback provisions (where a licensee assigns to the licensor, or agrees to extend to the licensor, rights over the licensee's improvements to the licensed technology) can increase a licensor's incentives to license and promote the dissemination of the improvements to the licensed technology. Such provisions may have an adverse impact on competition, where they substantially reduce the incentives of the licensee to engage in R&D.
- (c) Territorial or field-of-use limitations may in fact serve pro-competitive ends by promoting licensing, and thus the dissemination and more efficient exploitation of technology.
- (d) The Guidelines recognise that exclusive licences may be necessary to give the licensee an incentive to invest in the licensed technology or to further develop the technology. Non-compete clauses (obliging the licensee not to deal with competing technology) generally do not pose competition concerns, unless they provide a basis for market-sharing in licensing agreements between competitors, or there are foreclosure effects as result of high market power on the part of the licensor.
- (e) Technology pools (where two or more parties assemble a package of technology which is licensed not only to contributors to the pool but also to third parties) may also have pro-competitive benefits in clearing blocking patents, integrating complementary technologies and reducing transaction costs. Where pools are composed solely or predominantly of substitute technologies, this may amount to price-fixing.

13.13.16 Concerning the section 47 prohibition, the Guidelines recognise that the basis of intellectual property rights is the right to exclude. A refusal to supply a licence, even by a dominant undertaking, is not normally an abuse. A dominant undertaking's refusal to supply a licence may constitute an

infringement under the section 47 prohibition. This may occur if the IP right relates to an essential facility (ie. where there are no potential substitutes through duplication or otherwise, and the facility is indispensable to the exercise of the activity in question), with the effect of substantial harm to competition. The Guidelines make it clear that the CCS may consider if the dominant undertaking is able to objectively justify its conduct, and whether it has behaved in a proportionate way in defending its legitimate commercial interest.

13.13.17 The Guidelines provide that an undertaking may be found to be abusing its dominant position if it leverages by a tying arrangement (imposing a condition that he will grant a licence to his IPR only if the potential licensee agrees to buy an additional product or set of products, whether or not protected by IPR), subject to a satisfactory exploitation to the contrary for such an exploitation (eg. ensuring that the licensee conforms to quality standards or technical interoperability).

13.13.18 For the purpose of the exclusion of vertical agreements under paragraph 8 of the Third Schedule, the Guidelines clarify that the exclusion covers agreements which concern the purchase or redistribution of products, such as a franchise agreement where the franchisor sells to the franchisee products for resale. This would include intellectual property provisions contained in the franchise agreement, such as the trade mark and know-how which the franchisor licenses the franchisees in order to market the products.

13.13.19 Even before the enactment of the Competition Act and Guidelines, the compulsory licence also served as a means for users to obtained statute granted access to intellectual property works.

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SECTION 14 COMPULSORY LICENSING

13.14.1 Intellectual Property legislation in Singapore is also peppered with regimes for statutory and compulsory licensing. These are discussed below.

Compulsory Licensing under the Patents Act

13.14.2 Under the pre-2004 provisions of the Patents Act, section 55 of the Patents Act provided that an application may be made to court for the grant of a licence after 3 years from the date of the grant of a patent, or 4 years from the date of filing of the patent application, whichever is the later on the grounds that a market for the patented invention is not being supplied, or is not being supplied on reasonable terms, in Singapore.

13.14.3 During the 2nd reading of the Patents (Amendment) Bill in 2004, Associate Professor Ho Peng Kee, Senior Minister of State for Law, explained that the amendments to the compulsory licensing provisions of the Patents Act were:

'Currently, we have in place several grounds which a party can rely on, to apply to the courts for a compulsory licence. To give patent owners greater control over their rights, we have narrowed the grounds for granting a compulsory licence to one specific situation, which is to remedy an anti-competitive practice.'

(Singapore Parliamentary Reports, Patents (Amendment) Bill (2nd reading), 15 June 2004)

13.14.4 Section 55(1) now states that an application may be made for a licence on the ground that such as grant is necessary to remedy an anti-competitive practice. Section 55(2) clarifies that without prejudice to the provisions of section 55(1), that a court may determine that the grant of a licence is necessary where:

- (a) there is a market for the patented invention in Singapore;
- (b) that market -
 - (i) is not being supplied; or
 - (ii) is not being supplied on reasonable terms; and
- (c) the court is of the view that the proprietor of the patent has no valid reason for failing to supply that market with the patented invention, whether directly or through a licensee, on reasonable terms.'

13.14.5 Compared to its predecessor, the 2004 Amendment has arguably expanded the parameters which warrant the judicial imposition of a compulsory licence upon establishing the existence of an 'anti-competitive practice.' Also of note is the removal of the minimum period to lapse before the application is made.

13.14.6 A compulsory licence is neither exclusive, nor assignable, save where the assignment is in connection with the goodwill of the business of the business in which the patented invention is used and may be permitted by the court (section 55(4), (5)). For the proviso to operate, the court must be satisfied that the grounds under which the licence was granted has ceased to exist or is unlikely to recur. The licence fees which have to be paid under the compulsory licence must be at a reasonable value (section 55(6)).

13.14.7 Licensing fees to be paid by the licensee where a compulsory licence is granted are to be at a reasonable value having regard to the value of the licence as provided for in section 55(6) of the Act.

Statutory Licensing under the Copyright Act; Copyright Tribunal

13.14.8 The Singapore Copyright Act contains many provisions setting out statutory licences, subject to equitable remuneration; for example:

- (a) For educational institutions, for education as well as assisting handicapped and intellectually handicapped readers (sections 52-54, 54A Copyright Act).

(b) Making of records of a musical work subject to a duty to pay 5% royalty and conditions (sections 56-57 Copyright Act).

(c) Use of copyright material for the service of Government on agreed terms or as specified by the Copyright Tribunal (section 198 Copyright Act).

13.14.9 In 2004 the Copyright Act underwent extensive amendments to the provisions on statutory licensing, notably the repeal of statutory licences to (i) produce and publish translations of works (previously section 144 Copyright Act), (ii) produce and publish certain works on the grounds of non-availability in Singapore (previously section 145 Copyright Act) and (iii) broadcast translations (previously 146 Copyright Act).

13.14.10 The Copyright Tribunal ('the Tribunal') is given jurisdiction to investigate a variety of licences, including licences to perform a literary, dramatic or musical work or an adaptation in the public; licences to broadcast the work (or an adaptation thereof); or licences to make a sound recording or film of the work (or adaptation thereof) for the purpose of broadcasting the work or including it in a cable programme service. (section 149 Copyright Act)

13.14.11 Parties may also refer proposed and existing licence schemes to the Tribunal, which may confirm or vary the scheme as it considers reasonable in the circumstances (sections 160 and 161 respectively in the Copyright Act). Once a licence scheme is confirmed or varied, the Tribunal may still consider a further reference to the scheme (section 162).

13.14.12 Apart from referral licensing schemes, an individual can also apply to the Tribunal for the grant of licences under section 163 Copyright Act, in the following situations:

(1) Where a licensor who operates a scheme has refused or failed to grant him a licence in accordance with the scheme, or to procure the grant to him of such a licence.

(2) Where the grant of a licence is subject to the payment of charges or to conditions that are not reasonable in the circumstances of the case.

(3) Where a person claims that he required a licence in a case to which a licence scheme does not apply (including a case where a licence scheme has not been formulated or is not in operation) and;

(a) that a licensor has refused or failed to grant the licence or to pursue the grant of a licence, and that in the circumstances it is unreasonable that the licence should not be granted; or

(b) that a licensor proposes the grant of a licence subject to the payment of charges or conditions that are unreasonable.

13.14.13 If the claim of the applicant is well founded, the tribunal can impose charges and conditions it considers reasonable in the circumstances (section 163(6) Copyright Act).

13.14.14 To-date there have only been two cases before the Copyright Tribunal; *Singapore Broadcasting Corporation v Performing Right Society Ltd* (1991) 21 IPR 595 (where the Tribunal reviewed the terms of a broadcast

licence); and *Sunvic production Pte Ltd v Composers and Authors Society of Singapore Ltd* CRT No.1 of 1992 (unreported) (where a concert promoter remonstrated that a tariff rate imposed by a licence scheme was excessive).

13.14.15 In addition, applications may be made to the Tribunal for the determination of equitable remuneration to be paid to the copyright owner (of the relevant work or subject matter other than work) in the following situations:

- (a) For the making of a sound recording or cinematograph film of the work or of an adaptation of the work (sections 43(3), 68(3), 156A Copyright Act).
- (b) For the making of a copy of the sound recording (sections 107(3), 156B Copyright Act).
- (c) For the making available to the public of a sound recording by means of or as part of a digital audio transmission that is not part of an interactive service (sections 107D, 156C Copyright Act).
- (d) For the making of copies, of a handicapped reader's copy or of an intellectually handicapped reader's copy, as the case requires, of the whole or of a part of that work (sections 52(11), 54(10), 54A(7) Copyright Act).
- (e) For the apportionment of an amount payable in respect of a record between the owner of the copyright in a musical work and the owner of the copyright in a literary or dramatic work (sections 60(3)(b), 159 Copyright Act).

Other Intellectual Property Statutes

13.14.16 Compulsory licensing provisions are also found in the Layout-Designs of Integrated Circuits Act (Cap 159A) ('LDIC') and the Plant Varieties Protection Act 2004 ('PVPA').

13.14.17 Part V of the LDIC provides for two forms of compulsory licensing, in relation to layout designs. The first classifies any act done by Government (or a person authorised by Government) to be non-infringing if the act is done for a public non-commercial purpose (section 23(1)). An act is done for a 'public non-commercial' purpose if it is done (a) for the defence or national security of Singapore; or (b) to assist in the exercise of powers and the implementation of civil defence measures during a state of emergency or state of civil defence emergency under the Civil Defence Act. In such a situation the Government is under a duty to inform the qualified owner of the layout-design (section 25), who is also entitled to remuneration for such act(s) (section 26).

13.14.18 Secondly, the Court may also order for a grant of licence to remedy an anti-competitive practice under section 27 LDIC, subject to reasonable remuneration that is to be paid to the qualified owner.

13.14.19 The Court may also order a compulsory licence for the exploitation of a protected variety in Singapore if it is satisfied that such a licence is in the public interest: section 34(2) PVPA. The applicant for such a licence must first satisfy the Court that he has first taken all reasonable steps to obtain authorisation from the applicant on reasonably commercial terms and

conditions, and has failed to obtain such authorisation within a reasonable period of time (section 34(6)).

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SECTION 15 CONCLUSION

13.15.1 From the above it may be seen that intellectual property licensing, contributes to the often fragile balance of interests which has to be maintained between intellectual property owners, users and the content community at large, as reflected in Article 7 of the WTO-Trade Related Intellectual Property Rights Agreement:

'The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.'

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