

# ATMD Bird & Bird & Pulse

Singapore, December 2010

## Employment and IP top-ranked in Asia Pacific

ATMD Bird & Bird has received a new Tier 1 ranking for Employment and retained its top tier ranking for Intellectual Property in Singapore in The Legal 500 Asia Pacific 2010/11 Edition. Other ranked practices include Projects and Energy, Real Estate and Construction, Corporate / Mergers and Acquisitions, Dispute Resolution, International Arbitration, and Technology, Media and Telecommunications (“TMT”).

In the same edition, head of the firm **Alban Kang** has been ranked a Leading Individual for Intellectual Property for the tenth consecutive year while **Susan de Silva**, who heads the Corporate and Commercial Group, has been ranked a Leading Individual, for Corporate / Mergers and Acquisitions for the eighth consecutive year. Susan has also been ranked as a Leading Individual for Employment.



Susan de Silva



Sheena Jacob

## Another landmark case for the IP team

A team led by **Alban Kang** and **Koh Chia Ling**, together with associate **Oh Pin-Ping** has won an appeal before the Singapore Court of Appeal for RecordTV - a start-up company which offered an IDVR service to allow consumers to record and time shift free to air TV broadcast programmes.

In an action for groundless threat against MediaCorp, the national broadcaster counterclaimed copyright infringement by RecordTV. The High Court originally found in favour of and awarded damages to MediaCorp, finding that RecordTV had authorised the infringement by consumers who used their services.

In allowing the appeal, which one local newspaper described as “a stunning reversal”, the Court of Appeal held that RecordTV did not authorise any infringement and that RecordTV was “doing no more than making it convenient” for consumers to record TV programmes. The Court of Appeal granted an injunction against MediaCorp and awarded damages to RecordTV.

The Court of Appeal also commented that there is a need to balance the interests of copyright owners but at the same time not hinder creativity or innovation.



Alban Kang



Koh Chia Ling



Oh Pin-Ping

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## ATMD Bird & Bird forms tax practice

ATMD Bird & Bird's suite of legal services now includes a tax practice. The head of the tax practice is **Sundareswara Sharma**, an experienced tax lawyer who has worked both with the Inland Revenue authorities as their lawyer for more than 10 years and been a tax partner in the private sector for a further 8 years. Sharma has also been a district judge in civil matters and a legislative draftsman specialising in tax and other financial legislation. He is probably one of the few tax lawyers who is also a qualified arbitrator, a Fellow of the Chartered Institute of Arbitrators and on the Singapore International Arbitration Centre's panel of arbitrators.

In non-contentious matters, the tax practice advises on domestic and cross-border business transactions, M&A deals, corporate and personal income taxes, withholding taxes, property tax, goods and services tax and stamp duties. It also advises on the interpretation of tax laws, double tax treaties, rules & regulations. Additionally, the practice acts for clients in applications for tax exemptions, remissions, advance rulings and all dealings with the tax authorities and third parties. The practice also advises on wealth management, trusts and estate planning.

In contentious matters, the practice contests, on behalf of clients, tax assessments and notices, rulings, decisions, enforcement actions and the like, including conducting tax litigation before the tax tribunals, the High Court and the Court of Appeal. Another area of focus is tax audits and investigations where clients require legal representation with the tax auditors or investigators in resolving tax liabilities including penalties. The scope of work extends to acting as defence counsel in Court in a tax prosecution, if required.

## Tax issues and opportunities for 2011

By **S. Sharma**



With 2011 around the corner, it may be timely to review likely tax issues for the year ahead.

First, the latest court decisions could impact your business. For example, on 25 October 2010, the High Court decided that withholding tax did not apply to certain swap payments made by a local company to its overseas subsidiaries. This may apply more broadly to other transactions. More recently, on 15 December 2010 the Court of Appeal decided that portable dormitories, built of prefabricated materials, were structures within the scope of "plant". Other such structures that can be dismantled and moved elsewhere may be eligible for similar tax treatment.

Second, the Industrial Building Allowance (IBA) has been replaced by the Land Intensification Allowance (LIA) scheme for capital expenditure incurred after 22 February 2010. What should one do with existing buildings which qualified for IBA all these years? Under the LIA scheme, before capital expenditure is incurred on the renovation or construction of a building or structure on industrial land, an application may be made to the Minister for the renovation or construction to be approved as intensifying the use of industrial land for the purpose of claiming allowance for such expenditure.

Third, this year's Productivity and Innovation Credit (PIC) scheme provides enhanced deductions for qualifying expenses. For research

and development (R&D) expenses, there is the further deduction of up to 150% on qualifying R&D expenditure incurred in Singapore, and the R&D Incentive Scheme for Start-up Enterprises. The PIC scheme covers six areas of business activity, including R&D. The other five areas are registration of intellectual property rights (IPRs), acquisition of IPRs, acquisition or leasing of automation equipment, design initiatives and employees' training.

Fourth, this year's tax changes on merger and acquisition (M&A) allowances offer added impetus for M&A activity. The twin measures relate to income tax and stamp duty. For income tax, the allowance is an amount of up to S\$5,000,000 for all qualifying M&A deals executed per year of assessment, capped at 5% of the value of the qualifying M&As. For stamp duty, the duty on instruments of transfer of shares for qualifying M&A deals is remitted, subject to a cap of S\$200,000 in duty for each year.

Fifth, how do you deal with errors made in previous tax returns without getting investigated or prosecuted by the IRAS? It is no secret that the IRAS will pay informers 15% of tax recovered from information given by whistleblowers, subject to a cap. There is a voluntary disclosure scheme in which taxpayers can come forward to disclose mistakes without being handed large penalties or being taken to court. It is possible to arrange for instalment plans so that the payments for taxes and reduced penalties can be made over time.

Lastly, it may be worth considering whether your business could be restructured to avoid tax pitfalls in the future. Where there are

cross-border transactions, a revised holding company structure could be put in place, bearing in mind Singapore's comprehensive tax treaty network.

## High court re-states approach to contract interpretation and the role of extrinsic material in construing a contractual document

By Jansen Lim



In **Soon Kok Tiang and Ors v DBS Bank Ltd** [2010] SGHC 360, 21 plaintiffs sued DBS on behalf of themselves and 194 other individuals

who had invested in a structured product known as "DBS High Notes 5" ("HN5"). The plaintiffs sought *inter alia* a declaration that the HN5 were void for uncertainty at the time of their issuance, because the Pricing Statement contained 4 inconsistent definitions (and therefore computations) of the credit event redemption amount ("CERA").

One of the disputes was the meaning of the phrase "*Terms and Conditions set out in DBS High Notes 5 Pricing Statement*". The plaintiffs argued that this phrase should be construed as incorporating the entire Pricing Statement into the HN5 contract, whereas DBS submitted that only those sections which had the words "Terms and Conditions" in their title were incorporated.

The High Court applied the contextual approach endorsed by the Court of Appeal in **Zurich Insurance (Singapore) Pte Ltd v B-Gold Interior Design & Construction Pte Ltd** [2008] 3 SLR (R) 1029. The key principles are:

- a. Interpretation is to ascertain of the meaning which the document conveyed to a reasonable person having all the background knowledge which was reasonably available to the parties in the situation they were in at the time of the contract. The starting point for interpreting a contract is to consider the wording itself, i.e. the natural and ordinary meaning.
- b. Background includes anything which would have affected the way in which the language of the document was understood by a reasonable man, but excludes parties' previous negotiations and declarations of subjective intention - these remain admissible only in an action for rectification of the contract.
- c. Ambiguity is not a pre-requisite to admit relevant extrinsic material showing the context of the contract to determine if the language takes on another meaning instead of the plain words.
- d. However, if a party seeks to persuade the Court that the words of the contract bear another meaning from what they appear to, that party must show that the background context to the contract clearly and obviously indicates a different interpretation from that suggested by the plain language.

The Court stated that even if the words to be interpreted did not, on their face, appear to be ambiguous, the background context should be considered in order to determine the existence of any latent ambiguity, thereby agreeing with the plaintiffs on this issue.

Notwithstanding, the High Court ultimately dismissed the plaintiffs' claim because, on the facts:

- a. Only the 3rd and 4th CERA Definitions set out a formula based on terms that were fully defined, whereas the 1st and 2nd Definitions were no more than general descriptions of the manner to determine the CERA.
- b. The 3rd and 4th CERA Definitions appeared to be contradictory due only to a clerical error which, once corrected, eliminated the inconsistency.

The plaintiffs are contemplating an appeal.

## Computer-implemented inventions in Singapore - something more

By Robert Lawrence Scott



While everyone is looking to 2011 for brighter economic news, some hopeful glimpses can be found of the character

of technical innovations going forward. Amidst otherwise gloomy reports from places like Detroit, news from Asia is relatively sunny. Wall Street Journal's list of finalists for the Asian Innovation Awards for

2010 tells an interesting tale - 75% of finalists were focused on what could be considered software or computer-related inventions. One look at the white-hot smart phone and tablet markets confirms the importance of software advances in our lives.

Notwithstanding advances attributable to innovative software, 2010 also marked a year of legal uncertainty in much of the patent filing world as to patent eligibility for software and other inventions at the edge. Despite great expectations, The U.S. Supreme Court provided little clear patent eligibility guidance in *Bilski*<sup>1</sup> for computer-implemented or other inventions that do not fall conveniently within the classic statutory categories. Similarly, the EPO Enlarged Board of Appeal procedurally sidestepped the issue avoiding the need to provide direct answers to the eligibility questions<sup>2</sup>.

While the larger jurisdictions backed into comfortable but ambiguous positions, Singapore stepped boldly forward by issuing its own guidelines<sup>3</sup> clarifying how examination of such inventions should proceed.

While Singapore had eliminated provisions from the Patents Act that specifically excluded computer programs, discoveries and other categories of inventions in 1996, relying instead on the basic concepts of novelty, inventive step and industrial applicability to act as subject matter gatekeepers, the new guidelines provide a welcome clarification when much of the world is still grappling with these difficult subject matter questions. The EPO and UK still have statutory exclusions, but Singapore, in eliminating the exclusions and effectively liberalizing the scope of eligibility has chosen to address subject matter eligibility, like the

U.S., through guidelines to be used for examination.

To summarize, Singapore will focus first and foremost on identifying whether there is an invention<sup>4</sup>. Distinguishing between “invention” and, for example, mere discovery is important, since the presence of discovery does not automatically mean there is an invention. An invention requires “something more”. If an invention is determined to be present, additional hurdles of novelty, inventive step, and industrial applicability must be overcome in accordance with the guidelines. Thus, eligibility for software or business methods according to the new guidelines will rely on a rigorous initial determination of whether an “invention” is actually present. Examiners following the guidelines will now be looking, first and foremost, for that “something more” when determining subject matter eligibility.

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<sup>1</sup> *Bilski v. Kappos*, 561 U.S. \_\_\_ (2010), Docket No. 08-964 decided June 28, 2010

<sup>2</sup> (Questions on Patentability of Computer Implemented Inventions) G/O3-008

<sup>3</sup> Guide on Patentability Issues arising during Search & Examination, Intellectual Property Office of Singapore, September 20, 2010.

<sup>4</sup> *Merck & Co Inc v Pharmaforte Singapore Pte Ltd* [2000] SGCA 39

The content of this update is of general interest and is not intended to apply to specific circumstances. The content should not therefore, be regarded as constituting legal advice and should not be relied on as such. In relation to any particular problem which they may have, readers are advised to seek specific advice. Further, the law may have changed since first publication and the reader is cautioned accordingly.

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