

Bird & Bird ATMD

IP Legal Update



Court of Appeal renders decision on counterfeit goods in transit, and liability for trade mark infringement

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The Singapore Court of Appeal has clarified that liability for trade mark infringement can be established notwithstanding the fact that the infringing goods were merely in transit and never intended for entry into the Singapore market. The Court of Appeal also clarified that freight forwarders which did not know, or had no reason to believe, that there were signs on goods which they are importing or exporting will not be held liable for trade mark infringement.

Background

The appellants in *Burberry Limited and another v Megastar Shipping Pte Ltd* [2019] SGCA 01 were trade mark proprietors Burberry and Louis Vuitton. The respondent was a freight forwarding company which provided transshipment services in Singapore.

The counterfeit goods which were the subject of the proceedings were shipped by Chinese companies (with false addresses) from China to Singapore in two sealed containers, intended for onward shipment to Batam in Indonesia. A few days before the shipment of goods was due in Singapore, the respondent was instructed by a third party, an Indonesian company named as consignee in the relevant invoices, to arrange for transshipment of the containers to Batam, Indonesia. Pursuant to those instructions, the respondent lodged the

necessary declarations on the electronic system operated by the Port of Singapore Authority to arrange for the transshipment of the goods on to Batam.

When the containers arrived in Singapore, they were inspected by Customs and were found to include counterfeit products. The appellants, alongside three other trade mark proprietors commenced infringement actions against the respondent in the Singapore High Court. The High Court found that infringement was not made out against the respondent freight forwarder, concluding that, for the purposes of trade mark infringement under the Trade Marks Act ("TMA"), the importer of the goods was not the respondent, but either the shipper in China or the third party as the ultimate consignee in Batam.

The CA Decision

The Court of Appeal dismissed the appeal against the High Court's decision and upheld that the freight forwarder was not liable for trade mark infringement.

The main point of contention in the appeal was whether the appellants' trade marks had been "used". Under the TMA, a person "uses" a trade mark if he "imports or exports goods under a sign" which is identical with the trade mark.

The Court of Appeal's interpretation of this provision has a number of significant implications for trade mark proprietors and Singapore's transshipment industry, and the key points are summarised below:

1. "Import" under the TMA covers goods brought into Singapore only for the purposes of transit

The Court of Appeal confirmed that the definitions under the Interpretation Act applied to the TMA, and that "import" means "to bring or cause to be brought into Singapore by land, sea or air", and "export" means "to take or cause to be taken out of Singapore by land, sea or air". These definitions mean that trade mark infringement can in fact occur in respect of transhipped goods, which are brought into Singapore only for the purposes of transit, and never intended to be released into the Singapore market.

2. The importer or exporter under the TMA is the person who brings or causes the goods to be brought into or out of Singapore respectively

Whether a person is the importer or exporter under the TMA is essentially a question of fact. This will depend greatly on the level of involvement of the person and whether his involvement was needed for the bringing of goods into or out of Singapore. It is not determinative whether a person is identified as the importer or exporter on customs documentation or is considered under the Customs Act to be the importer.

3. An importer or exporter which did not know, or had no reason to believe that there were signs on the imported or exported goods will not be held liable for trade mark infringement

For infringement to take place under the TMA, it was not enough to prove that the importer/exporter was responsible for the physical act of importing or exporting the infringing goods. The importer/exporter must have intended to import or export the goods with knowledge or reason to believe that that there was a sign present on the goods in issue.

4. If the defendant is responsible for both importing and exporting the goods into and out of Singapore, his knowledge and intention are to be assessed separately at the time of import and at the time of export.

Even if an importer had no reason to suspect that he was importing infringing goods at the time of import, if events transpire during the goods' transit in Singapore that put the importer on notice that their goods may be infringing, the importer takes the risk of trade

mark infringement if he nevertheless chooses to export the goods.

Implications of the decision

The Court of Appeal decision provides some helpful clarifications to the law.

First, the Court of Appeal has confirmed that "import" under the TMA covers goods brought into Singapore only for the purpose of transit. The Court of Appeal decision did not change the law – this has been the position under Singapore law since a 1995 Singapore High Court case, *Trade Facilities Pte Ltd and others v Public Prosecutor* [1995] SGHC 119 ("**Trade Facilities**"). However, in light of a line of European and English cases decided after *Trade Facilities*, which decided that goods in transit were not considered to be imported, the Court of Appeal decision is a timely and helpful clarification that the transshipment of counterfeit goods through Singapore can in fact constitute infringement under the TMA.

Second, the Court of Appeal also clarified that in order for infringement to take place under s 27 of the TMA, the alleged infringing importer must have intended to do the act constituting the infringing use (for example, the import or export of goods) with knowledge or reason to believe that there was a sign present on the goods in issue. On the facts of the case, there was no evidence that the respondent knew or had reason to believe that there were signs on the goods. The documents given to the respondent merely referred to household goods and other seemingly innocuous generic merchandise. As such, the Court was not satisfied that the respondent had "used" the appellant's trade mark.

Despite this, the Court of Appeal went on to say that if a person knows, or has reason to believe that there is a sign on the goods that he is importing or exporting, then it does not matter whether he knew that the sign (or its use) was infringing.

In coming to this decision, the Court of Appeal appears to have given weight to the fact that freight forwarders, who typically lack in-depth knowledge of shipments they handle, and which handle high volumes of shipments a day, are in no position to examine all the goods that come their way. However, it is important to note that the decision does not provide a blanket exemption for freight forwarders. If a freight forwarder knowingly caused or facilitated counterfeit goods to be brought into Singapore, it may be held liable for infringement even if it has no title to or any interest in the goods or was acting merely as an agent for someone else.

Trade mark proprietors should also take note of the new Intellectual Property (Border Enforcement) Act 2018, which has implemented certain amendments to the Trade Marks Act. Amongst other things, the amendments provide Singapore Customs with new powers to obtain and provide information from persons found to be in possession of counterfeit goods, including information necessary to enable legal action to be taken in relation to future shipments of goods. Trade mark proprietors who successfully intercept counterfeit goods would be well advised to make use of the relevant provisions to try and obtain further and better information about the identities of the parties involved.

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