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Report Q. 169  
By the Singapore Group

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## **CRIMINAL LAW SANCTIONS WITH REGARD TO THE INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS**

- 2.1 *The groups are invited to indicate if the provisions of article 61 of the TRIPS Treaty were introduced into their national legislation with regard to the trade marks and to the copyright.*

*Do the national laws provide penal sanctions in case of the violation of other rights of intellectual; property such as patents, models, unfair competition and so on?*

In accordance with Article 61 of TRIPS, which requires criminal penalties to be imposed in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale, Singapore laws provide for penal sanctions in relation to the commercial exploitation of works infringing copyright as well as acts counterfeiting of trade marks<sup>1</sup>. However, apart from the above, there are no other laws providing penal sanctions for the violation of other intellectual property rights. In particular, the Patents Act and the Registered Designs Act do not provide any penal sanctions for wilful infringement of patents and designs on a commercial scale.

- 2.2 *The groups are invited to present the conditions of the penal liability for the acts for infringement of the intellectual property rights, and in particular, whether this penal liability require a special intentional element?*

*Who has the burden of proof of this intentional element?*

*Is this special intentional element suppose or must be proven positively?*

Under the Copyright Act, a person, who at a time when copyright subsists in a work, makes, sells, hires, offers for sale, exhibits for the purpose of sale, distributes, possesses or imports for the purpose of trade, any article which he knows, or ought reasonably to know to be an infringing copy of the work shall be liable for an offence. In addition, any person possessing an article or contrivance specially adapted to make infringing articles will be also liable for an offence. Furthermore, any person who broadcasts or publicly exhibits any copyrighted works, films, television or cable programmes will be liable for offences under the Copyright Act.

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<sup>1</sup> Sections 46 to 49 of the Trade Marks Act and Section 136 of the Copyright Act.

The classes of acts which attract criminal liability under the Trade Marks Act differ slightly from those under the Copyright Act. A person who counterfeits a registered trade mark or who falsely applies a registered trade mark to goods or services is liable for an offence under the Trade Marks Act<sup>2</sup>. A person who makes or has in his possession an article which is specifically designed or adapted to make copies of a registered trade mark or a sign likely to be mistaken for that trade mark knowing or having reason to believe that it has been, or is to be, used for counterfeiting is also liable for an offence<sup>3</sup>. A person who imports, sells or exposes for sale or possesses for the purposes of sale goods to which a registered trade mark is falsely applied shall also be liable to conviction, as is a person or who falsely represents a trade mark to be registered when it is not.

With the exception of the offence of making or possessing article for counterfeiting, there is no necessity to prove an intentional element in trade mark offences. However, in the case of commercial distribution of counterfeit trade mark products, the law allows the defendants to avoid criminal liability if the defendants can raise the defence that:

- (a) they had taken all reasonable precautions against committing the offence, they had, at the time of the commission of the alleged offence, no reason to suspect the genuineness of the product and on demand made by or on behalf of the prosecution, they gave all the information in their power with respect to the persons from whom they obtained the goods; or
- (b) they had acted innocently.

The burden of proof lies on the defendants to raise these defences.

For copyright offences, the burden is on the prosecution to prove that the defendants knew or ought reasonably to have known that the items which are the subject matter of the prosecution are infringing itemsAs there is no presumption of knowledge, this element must be proven positively. The courts will generally look into the circumstances of the case to infer knowledge<sup>4</sup>.

**2.3   *The groups must also indicate if there are differences between the acts of infringement of an intellectual property right from the point of view of the civil and penal liability.***

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<sup>2</sup> Section 46 and 47 of the Trade Marks Act.

<sup>3</sup> Section 48 of the Trade Marks Act.

<sup>4</sup> See *PP v Teo Ai Nee* [1994] 2 SLR 96

*The group must indicate if the civil and penal liabilities are, in fact, likely to be engaged for the same acts of counterfeiting*

*Are the terms of limitation of these acts identical from the point of view of the civil liability and the point of view of the penal liability?*

The scope for civil liability is wider than criminal liability under both the Trade Marks Act and Copyright Act. Criminal liability covers only the commercial exploitation of counterfeit or pirated products, such as the manufacturing, distribution, selling, possession or importing for the purpose of trade pirated products. Offences under the Trade Marks Act and Copyright Act also attract civil liability but not all civil infringements attract criminal liability. As such, criminal infringements form a subset of civil infringements.

Civil infringement arises under the Copyright Act when a person who, not being the owner of the copyright, and without the licence of the owner of the copyright, does in Singapore, or authorises the doing in Singapore of, any act comprised in the copyright. These acts include the commercial exploitation of infringing works<sup>5</sup>.

Criminal liability however only attaches to the commercial exploitation of infringing works such as:

- a. the sale, hire or exhibition for trade of an infringing work where the offender knows or ought reasonably to know that the work is an infringing work;
- b. the possession and importation of an infringing work for the purpose of trade where the offender knows or ought reasonably to know that the work is an infringing work;
- c. the distribution of an infringing work for purpose of trade or other purposes, but to such an extent that will affect prejudicially the owner of the copyright, where the offender knows or ought reasonably to know that the work is an infringing work;
- d. the making or possession of an article specifically designed or adapted for making copies of work which the offender knows or ought reasonably to know, is to be used for making an infringing work; and
- e. the causing of a literary, dramatic or musical work to be performed in public, or a cinematograph film to be seen or heard or seen and

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<sup>5</sup> Sections 31, 32 and 33 of the Copyright Act.

heard in public, other than by the reception of a television broadcast or cable programme, where the offender knows, or ought reasonably to know, that copyright subsists in the work or cinematograph film and that the performance constitutes an infringement of the copyright.

Civil infringement of a registered trade mark arises from the use of the registered trade mark or a confusingly similar mark without the consent of the registered proprietor in relation to the same or similar goods or services for which it is registered<sup>6</sup>.

Criminal liability for trade mark infringement is only attached to the following:

- a. counterfeiting of a trade mark;
- b. falsely applying a trade mark on goods and services
- c. making or possessing of article specifically adapted for committing trade mark offences; and
- d. importing, selling or possessing for the purpose of trade, goods with falsely applied trade marks.

Pursuant to the Copyright Act, copyright owners have 6 years from the date of infringement to commence civil action<sup>7</sup>. There is no corresponding provision inside the Trade Marks Act. The Limitation Act provides that action should be brought within 6 years from the date of infringement. There is no limitation period for criminal offences.

2.4 *The groups must also indicate if their national laws provide the penal liability against a legal moral person for acts of counterfeiting.*

The Copyright Act and Trade Mark Act do not make a distinction between corporate and personal entities. As such, a corporate entity could also be liable for offences under the Copyright Act and Trade Marks Act.

Where the offence is committed by a corporate entity with the consent or connivance of a director, manager or any officer of the corporate entity, the corporate entity as well as the officer shall be guilty of the offence<sup>8</sup>.

2.5 *Does the penal Court which rules on the penal liability for an act of counterfeiting have the capacity to rule on the question of the validity of*

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<sup>6</sup> Section 27 of the Trade Marks Act

<sup>7</sup> Section 6 (1) of the Limitation Act.

<sup>8</sup> Section 201B of the Copyright Act and Section 107 of the Trade Marks Act.

*intellectual property right or is this appreciation only the concern of a civil jurisdiction?*

*If a penal judge does not have the capacity to appreciate the validity of an intellectual property right and in particular to pronounce the revocation of it, is it possible for the defendant to the criminal proceedings in counterfeiting to ask a stay of proceedings in order to seize the civil judge, or the patent office, of the appreciation of the validity of the right which is opposed to him?*

The penal Court has the capacity to rule as to whether the trade mark or copyright owner has successfully proven their rights in relation to the particular case of counterfeiting. It however does not have the jurisdiction to question the validity of the rights granted. In criminal proceedings relating to copyright offences, the copyright owner may, by way of an affidavit, adduce evidence relating to the subsistence of copyright<sup>9</sup>. Such an affidavit shall be *prima facie* evidence of subsistence of copyright. It is however open to the defendant to challenge the assertions in the affidavit, including the subsistence and ownership of the copyrights in question.

Similarly, under the Trade Marks Act, a trade mark registration is *prima facie* evidence of validity of the trade mark. The penal court has no jurisdiction to revoke a trade mark registration.

In cases where the defendant intends to raise the issue of the validity of a trade mark, the penal Court, at the pre-trial conference, may stay the proceedings pending any revocation proceedings by the defendant.

- 2.6 *The groups must also indicate which are precisely the sanctions envisaged by their penal legislation for acts of infringement of intellectual property rights.*

*Are the courts which impose penal sanctions also qualified to allocate damages in repair of the damage undergone by victims of the acts of counterfeiting or is this question only the concern of the civil courts?*

The penal sanction for all trade mark offences is a fine not exceeding S\$10,000 per article or a maximum of fine not exceeding S\$100,000 or 5 years imprisonment, or both.

In cases where a person, who distributes an infringing article for the purpose of trade or for other purposes to such an extent as to affect prejudicially the owner of the copyright, which he knows, or ought reasonably to know, to be an infringing copy, that person is liable to a fine

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<sup>9</sup> Section 137 of the Copyright Act.

not exceeding \$50,000 or to imprisonment for a term not exceeding 3 years, or to both.

A person who makes or has in his possession an article specifically designed or adapted for making copies of a work where the person knows or ought reasonably to know, is used for making infringing copies of the work, is liable to a fine not exceeding \$20,000 for each such article or to an imprisonment term not exceeding 2 years, or to both.

While the penal court has jurisdiction to award compensation to the victim in a criminal matter, we are unaware of any court decision that has exercised its jurisdiction to award compensation to an intellectual property rights owner. In most cases, rights owners must resort to commencing civil proceedings to recover damages.

- 2.7 *The groups are finally invited to give all practical information which they consider useful for the understanding of their legal system and in particular the information concerning the person vested with the right to initiate a penal procedure, the burden of proof of the infringement, the possibility for parties to settle the proceedings by an agreement, etc.*

*The groups are invited to provide, if they exist, for the statistical data concerning the resorts to penal procedures (times of procedure, costs, a number of the litigation in country etc).*

The Singapore Government adopts a self-help approach in the enforcement of criminal sanctions against trade mark counterfeiting and copyright piracy.

For trade marks offences, trade mark proprietors and their representative are required to obtain evidence of infringement, attend before the Magistrate to lodge complaints for the issuance of search warrants against businesses that are commercially exploiting counterfeit trade marks<sup>10</sup>. The subsequent raids are conducted by the Intellectual Property Rights Branch of the Criminal Investigations Department assisted by the trade mark owners and their representatives.

Upon the successful execution of a raid, trade mark proprietors may engage legal counsel to prosecute the offenders for offences under the Trade Marks Act. Prior to the commencement of the criminal prosecution, the legal counsel would first have to obtain a *fiat* (authorisation) from the Attorney-General's Chambers to prosecute<sup>11</sup> the offender. Prosecutions are commenced by way of filing private summonses. In the appropriate

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<sup>10</sup> The power for trade mark proprietors to obtain search warrants and conduct raids is conferred under Section 62 of the Criminal Procedure Code.

<sup>11</sup> Section 336 (4) and 336 (7) of the Criminal Procedure Code.

cases (especially when the infringement is particularly severe or there is evidence of organized criminal activity), the Police and Attorney General's Chambers would step in to conduct further investigations and take over the prosecution

The procedure is similar in relation to copyright offences. Copyright owners are entitled to conduct raids under the Copyright Act<sup>12</sup>. These raids are conducted with the assistance of the Intellectual Property Rights Branch of the Criminal Investigations Department of the police. Upon the successful execution of a raid, as in trade mark offences, copyright owners must engage legal counsel to prosecute the offenders for the copyright offences within 6 months or the seized goods will be returned to the offender. The procedure is similar to the procedure for prosecuting trade mark offences.

However, it should be noted that in the cases prosecuted by the intellectual property rights owners, the right owners are not free to determine the manner of prosecution or to reach a settlement. Close control over the conduct of the prosecution is exercised by the Attorney-General's Chambers who retain the right to approve any plea or settlement. This renders the procedure cumbersome to right holders. The right holders must also indemnify the Attorney-General's Chambers against any liability arising from the private prosecution.

The burden of proof in criminal cases lies with the prosecution. The prosecution has to prove beyond a reasonable doubt that the offence was committed by the defendant.

In some instances, the Intellectual Property Rights Branch ("IPRB") of the police may commence criminal actions on their own. These again are generally cases which involve large scale syndicates or organized criminal activity. In such cases, the offenders are usually arrested during the raids. The cases are investigated by the IPRB and prosecuted by the Attorney-General's Chambers.

2.8 *In addition, the groups are also invited to describe the role of the technical experts in this penal procedure.*

*In particular, to indicate if the opinion of the technical experts can be used to show that the validity of a right is not obvious and that this doubt must be taken into account to appreciate the intentional element of the penal offence.*

In criminal proceedings relating to trade mark offences, the role of technical experts is generally confined to examining and testifying that the

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<sup>12</sup> Section 136 (9) of the Copyright Act.

infringing items are not of the manufacture or origin of the trade mark owner. While the burden is on the defendant to prove that the alleged infringing items are made with the consent of the trade mark owner<sup>13</sup>, it is common for the prosecution to adduce technical evidence from the expert to show that the items in dispute are infringing items.

The role of the technical expert in copyright offences is similar to that of the technical expert in trade mark offences. However, unlike the Trade Marks Act, the burden of proving that the items in dispute are infringing copies lies with the prosecution. As knowledge is an element in copyright offences, a defendant may adduce expert evidence stating that the items in issue are not obviously infringing to the defendant.

- 2.9 *Lastly, the groups are invited to make known their general opinion on the interest of the penal sanctions for the acts of violation of intellectual property rights.*

While the penal provisions under the Trade Marks Act and Copyright Act apply to some forms of infringement of intellectual property rights, they do not apply to all types of copyright and trade mark piracy. For example, the use of copyright infringing works for a commercial purpose, such as use of unlicensed software by companies or private individuals, is not a penal offence.

There are no criminal provisions for the infringement of designs, layout-designs of integrated circuits, geographical indication and patent rights. It is submitted that criminal sanctions should be extended to the intentional commercial exploitation of the above intellectual property rights as there appears to be no compelling reasons to distinguish between the intentional exploitation of such intellectual property rights on the one hand, and copyright and trade marks on the other.

- 3.1 *The groups are invited to take position on the advisability of subjecting to penal sanctions the violation of all the intellectual property rights: Should the penal sanctions be extended to all the intellectual property rights, including the patents?*

Penal sanctions should be extended to all willful commercial exploitation of pirated intellectual property works. Penal sanctions are necessary as a deterrent to intentional commercial exploitation of such intellectual property rights. This should include the willful commercial exploitation of processes and products that infringe patent rights. The infringement of intellectual property rights on a commercial scale has a significant impact on the value of the intellectual property rights. Without the ability to rely on penal sanctions, rights holders lack the option of obtaining enforcement

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<sup>13</sup> Sections 46 (3) and 47 (5) of the Trade Marks Act.

assistance to investigate and take effective deterrent action against such acts. Further, it is often difficult to compensate right holders for the damage caused by wide-scale piracy by damages alone. Penal sanctions may be required in some instances.

- 3.2 *The groups are invited to formulate observations on the existence of the intentional element as condition required for the application of penal liability to the authors of infringement of intellectual property rights.*

*Should this violation be deliberated?*

*Could the proof of the intentional character result from the nature of the infringement or does it have to be proven positively by the victim of the counterfeiting?*

Under the Copyright Act, criminal liability is only extended to a person who commercially exploits infringing works if he knows or ought reasonably to have known that the works are infringing works. There is no presumption of knowledge under the Copyright Act and therefore such knowledge on the part of the infringer must be proven positively by the copyright owner. In most cases, the copyright owner will rely on circumstantial evidence leading to an irrefutable inference of knowledge on the part of the infringer.

The position under the Trade Marks Act is different. There is no requirement for the positive proof of intention. In offences relating to the commercial distribution of counterfeit products under the Trade Marks Act, the burden is on the defendant to establish that he has no reason to suspect that the products are counterfeit and that he has taken all reasonable precaution against committing the offence.

We are of the view that the element of knowledge is necessary as most criminal offences must involve a certain degree of *mens rea* on the part of the offender. It is usually only for regulatory offences that strict liability arises. However, such an intentional element need not be deliberate in nature. It may be sufficient if the offender “turns a blind eye” or if there were facts that should have led the offender to have imputed knowledge of the infringement.

The question also arises whether the *mens rea* must be positively proved. In relation to intellectual property rights offences, it would usually be difficult to establish a clear intention to violate the law. However, proof of the intentional element should be allowed to be drawn from the circumstantial evidence such as the nature of and circumstances of the infringement. Otherwise, the difficulty of proving the intentional element will become a loophole for infringers to easily exploit. As such, it would

bring consistency to the law if the knowledge requirements in trade mark and copyright offences are made uniform and that the burden of proving that he had no reason to suspect the genuineness of the goods lies with the defendant.

- 3.3 *Should Penal Judge have to rule on the validity of an intellectual property right whose infringement is reproached within the penal procedure or should he leave the question of the appreciation of the validity of such a right to the concern of the Civil Judge or the patent office, and to postpone consequently to rule in the penal procedure while waiting for the ruling of the proper authority on the validity of the title called upon in the penal authority?*

We are of the view that penal judges should not rule on the validity of an intellectual property right as some penal judges may not have the technical knowledge or experience to rule on such issues. As such, in cases where the validity of an intellectual property right is an issue, the penal judge should adjourn the hearing of the matter pending the outcome of the determination of the validity by a civil court or the relevant patent office. In this regard, the defendant should be given a deadline to raise the issue of validity in a civil court, as there should not be any undue delay in the criminal procedure. However, a defendant should have a good faith basis for challenging the validity of the right, as otherwise criminal proceedings will become too unwieldy. During the course of the determination of the validity of the right, the police should retain custody of all evidence and seized material.

In addition, during the civil proceedings to determine the validity of the right, the civil court should also have jurisdiction to grant certain interim relief to the right holder upon upholding the validity of the right. In particular, the civil court should have the jurisdiction to grant injunctive relief and orders freezing the assets of the defendant to preserve the victim's right to file a civil claim for damages at the conclusion of the criminal proceedings.

- 3.4 *The groups finally have to determine if the victim of counterfeiting must be a master of the criminal proceedings i.e. introduce it and put an end to it, in particular by settlement?*

*Could the victim of the counterfeiting be able to use, in particular within the framework of the civil procedure, the documents from the penal procedure and in particular the evidence of the alleged counterfeiting?*

In Singapore, where the criminal enforcement of intellectual property rights is based on a self-help regime, the victim should have the authority to determine the course of the criminal proceedings as well as the discretion

to settle the matter amicably since the victim is bearing the cost of the prosecution. However, under the present system, the victim may only commence or settle criminal proceedings under the Copyright and Trade Marks Act with the express authorization and consent of the Attorney-General's Chambers. This is highly unsatisfactory to resolution and settlement of proceedings.

A victim may use the outcome of a criminal proceeding as evidence in the corresponding civil proceedings<sup>14</sup>. Where an infringer has been convicted by a criminal court, the victim may use the conviction as evidence to support an application for summary judgment against the infringer in a civil court. This helps to expedite civil proceedings against convicted infringers.

#### 4. Additional comments

##### **Summary**

We propose that criminal sanctions arising from the infringement of intellectual property rights should be extended to all cases of wilful infringement of intellectual property rights on a commercial scale. As penal sanctions deprive the accused of liberties, we are of the view that it should be necessary to prove an intentional element. However, the intentional element may be actual or imputed and proof of such knowledge may be drawn from circumstantial evidence surrounding each case.

We also propose that penal judges should not have the jurisdiction to rule on the validity of an intellectual property right. In criminal proceedings where an intellectual property right is in dispute, the proceedings should be adjourned pending the outcome of the determination of the validity by a civil court or the relevant intellectual property office.

We also propose that intellectual property rights owners should have the authority to determine the course of criminal proceedings as well as the discretion to settle cases independently of the control of the Attorney-General's Chambers. At the very least, the right owners should be at liberty to apply to recover costs of prosecution from the infringers in an appropriate case.

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<sup>14</sup> Section 45A of the Evidence Act.