



THE IMPORTANCE OF REGISTERING IP-RELATED TRANSACTIONS

I. INTRODUCTION

1. Trade marks, patents and registered designs are personal property¹ and they can be the subject of commercial dealings as would any other form of property. Indeed, common examples of commercialisation of intellectual property rights include assignments and licences.
2. In some jurisdictions, registration of such transactions which affect the intellectual property rights ("**IP-related transactions**") are compulsory in that they are required to be recorded and registered on the relevant intellectual property register. Singapore however, does not make such registrations mandatory and IP-related transactions are "*not necessarily invalid just because they are unregistered*".² However, there are serious repercussions that can arise due to a failure to register such IP-related transactions. This article will explore two such consequences: entitlement to remedies and rights in relation to third parties.

II. ENTITLEMENT TO REMEDIES

3. A failure to register an IP-related transaction would severely curtail the remedies available to a plaintiff in intellectual property infringement proceedings. For example, section 75 of the *Patents Act* provides that

Effect of non-registration on infringement proceedings

75. Where by virtue of [an assignment, mortgage, licence, grant of security interest, order of Court] a person becomes the proprietor or one of the proprietors or an exclusive licensee of a patent and the patent is subsequently infringed, the court or the Registrar shall not award him damages or order that he be given an account of the profits in respect of such a subsequent infringement occurring before the transaction, instrument or event is registered unless —

- (a) the transaction, instrument or event is registered within the period of 6 months beginning with its date; or
- (b) the court or the Registrar is satisfied that it was not practicable to register the transaction, instrument or event before the end

¹ See section 36 of the *Trade Marks Act*, section 41(1) of the *Patents Act* and section 32(1) of the *Registered Designs Act*

² *Guy Neale v Ku De Ta SG Pte Ltd* [2015] 4 SLR 283 at [75]



of that period and that it was registered as soon as practicable thereafter.

Similar provisions exist in respect of trade marks and registered designs.³

4. The effect of such a provision can be severe, as illustrated in the UK case of *LG Electronics Inc. v NCR Financial Solutions Group Ltd* ("**LG Electronics**").⁴ In this case, the claimant was the registered proprietor of two patents. It had come to own these two patents through a series of four separate assignments. None of these assignments was registered with the UK Patent Office at the time in which the assignments were carried out. It was only later that the claimant sought to register all the assignment agreements with the UK Patent Office.
5. This case involved a preliminary point in a patent infringement action, namely, the interpretation of section 68 of the UK *Patents Act* (which is the basis on which section 75 of the Singapore *Patents Act* was drafted).
6. Jacob J explained that section 68 of the UK *Patents Act* "*is aimed at making the people who own the monopolies get on the register. If they do not, they lose their rights to damages and they do not have a right to sell the right to damages to someone else*".⁵ In other words, "*the primary purpose of the section is to ensure that the British, indeed world, public knows who owns British monopolies*".⁶
7. The impact of section 68 of the UK *Patents Act* on the claimant's action was two-fold:
 - (a) First, until the claimant (who is the current proprietor of the patents in issue) managed to register its interest with the UK Patent office, it could not claim damages during the period which the assignment was not registered, despite the fact that it was the owner/proprietor of the patents; and
 - (b) Second, because the previous owners had all failed to register its ownership interest, the claimant could not also claim for past infringements during these earlier periods. In the words of Jacob J, the claimant "*has acquired, and all that he ever can acquire, is any right to*

³ Section 39(4) of the *Trade Marks Act* and section 34(4) of the *Registered Designs Act*

⁴ [2003] FSR 24

⁵ *LG Electronics* at [18]

⁶ *LG Electronics* at [15]



damages of his predecessor in title. He cannot acquire more than the assignor has to give".⁷

8. As a result, the claim was barred for various time periods where section 68 of the UK *Patents Act* was not complied with.
9. Should a similar fact pattern arise in Singapore, a similar, if not identical, result is likely to be reached.
10. Two important lessons can be learned:
 - (a) First, it is important that a party who is obtaining rights to a particular piece of intellectual property ensure that the IP-related transaction is registered with the relevant intellectual property registry. Otherwise, there are likely to be adverse consequences with regard to the scope of remedial measures available to the rights holder.
 - (b) Second, if the intellectual property in question involves a history with a chain of title, due diligence should also be conducted to determine whether if there have been 'gaps' during which the relevant transactions were not recorded on the register. This will allow the potential buyer to (re)assess its position on the matter.

III. RIGHTS IN RELATION TO THIRD PARTIES

11. A second consequence of the failure to record an IP-related transaction arises when there are competing claims by a third party. To illustrate, assume Party A assigns its trade mark to Party B. Subsequently, Party A assigns the same trade mark to Party C, resulting in a dispute between Parties B and C as to who has ownership of the trade mark. In such a situation, section 39(3) of the *Trade Marks Act* provides that

Until an application has been made for the registration of [an assignment, grant of licence, grant of security interest, making by personal representatives of an assent or order of Court], the transaction is ineffective as against a person acquiring a conflicting interest in or under the registered trade mark in ignorance of the transaction.

⁷ *LG Electronics* at [11]



Similar provisions exist in respect of patents and registered designs.⁸

12. In such a situation, the gist of Singapore's intellectual property legislation provides that an initial interest in the intellectual property may be defeated by a subsequent purchaser of the same rights, provided that the purchase was done without notice of the earlier rights. It is likely the case that the subsequent purchaser had to act in good faith in its purchase.
13. The Canadian case of *Verdellen v Monaghan Mushrooms Ltd* ("**Verdellen**")⁹ concerned such a situation of competing rights. The applicant was an employee of Rol-land Farms Limited and had invented the patent in issue. He claimed that there was an agreement between himself and the company whereby he would own the rights to whatever he invented, including the patent in issue.
14. The respondent subsequently purchased Rol-land Farms Limited (including its intellectual property rights) and asserted that it was the owner of the patent.
15. Section 51 of the Canadian *Patent Act* provides that

Every assignment affecting a patent for invention, whether it is one referred to in section 49 or 50, is void against any subsequent assignee, unless the assignment is registered as prescribed by those sections, before the registration of the instrument under which the subsequent assignee claims.
16. The import of the Canadian legislation is clear: that a failure to register the first-mentioned transaction would mean that it is ineffective as against a subsequent assignee. The Court elaborated that the subsequent assignee must be one who had acquired rights to the same IP in good faith, for value and without notice. Whilst the wording of the Canadian *Patent Act* is not identical to the Singapore *Patents Act*, in substance, the theoretical underpinnings can be said to be the same as the case in Singapore.
17. As the agreement between the applicant and Rol-land Farms Limited was not properly registered, the Court found that the said agreement is void as against the respondent which was a good faith purchaser for value without notice of any such agreement.

⁸ Section 43(1) of the *Patents Act* and section 34(3) of the *Registered Designs Act*

⁹ 2011 ONSC 5820



18. Two important lessons can be learned:
- (a) First, if a party acquires rights to a piece of intellectual property, it is extremely important to ensure that the relevant applications are filed with the Intellectual Property Office to ensure that his rights are not defeated by a subsequent purchaser.
 - (b) Second, when acquiring rights to a piece of intellectual property, it is likely the case that a purchaser can rely on the relevant Intellectual Property Register to satisfy the notice requirement. In *Verdellen*, the respondent-purchaser “conducted due diligence regarding the business to be acquired, including information on patents. All of the information provided to [it] was consistent with the publicly available information that [Rol-land Farms Limited] held the ownership interest in the patent rights in question”.¹⁰ Unless attention had been drawn to a subsequent purchaser of particular facts which would then put it on notice, it would not be unreasonable to assume that a subsequent purchaser’s reliance on the relevant Intellectual Property Register would be sufficient to satisfy the notice requirement.

IV. CONCLUSION

19. When entering into IP-related transactions, parties may overlook the need to register such IP-related transactions. This article has sought to highlight the consequences of a failure to register IP-related transactions. As the risks for failing to register IP-related transactions can be drastic, parties should always ensure that their rights are not inadvertently lost / curtailed due to a failure to comply with the relevant legislation.

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¹⁰ *Verdellen* at [18]