

CASE UPDATE

SINGAPORE COURT OF APPEAL UPHOLDS CLAIM IN RESPECT OF SOFTWARE PATENT

First Currency Choice Pte Ltd v Main-Line Corporate Holdings Limited and Another Appeal [2007] SGCA 50

Executive Summary

In this recent case, the Singapore Court of Appeal applied well-established propositions of patent law to a patent infringement claim relating to a software patent. The Court of Appeal also commented on the application of the plea of innocent infringement provided by section 69(1) of the Patents Act (Cap. 221)(the “**Patents Act**”).

Background

Main-Line Corporate Holdings Limited (the “**Respondent**”) owned a patent that covered a system of determining the operating currency of a payment card at the point of sale between the merchant and the cardholder by automatically extracting the “identifier code” from the payment card number and comparing the identifier code with the Bank Reference Table so as to ascertain the relevant currency (the “**Patent**”). The Patent was granted in Singapore on 30 June 2003, with its priority date being 12 July 1999. The Respondent also holds a similar patent in Europe which was granted by the European Patent Office on 5 December 2001 (the “**European Patent**”).

Claim 1 of the Patent is an independent claim for a method of automatically determining a preferred currency in a card transaction. It claims to be:

“A data processing method for determining a preferred currency for association with [a] charge, debit or credit card transaction between a merchant and a charge, debit or credit cardholder comprising the steps of [:]

obtaining the card number of the card from the cardholder, characterised [sic] in that the method further comprises the steps of [:]

identifying an identifier code from [the] said card number[;]

determining the operating currency for [the] said identifier code, by comparing [the] said identifier code with entries in a table, wherein each entry in the table contains an issuer code or range of issuer codes and a corresponding currency code, and setting the currency for association with the card transaction as the determined operating currency for the issuer code”.

MAIN OFFICE

20 Raffles Place
#17-00 Ocean Towers
Singapore 048620

t +65 6535 0733

f +65 6535 4906

mail@drewnapier.com

www.drewnapier.com

Co. Reg. No. 200102509E

The essential elements or integers of claim 1 of the Patent are therefore:

- (a) identifying an identifier code from the card number;
- (b) determining the operating currency for the identifier code;
- (c) by comparing the identifier code with entries in a table (the Bank Reference Table), wherein each entry in the table contains an issuer code or range of issuer codes and a corresponding currency code; and
- (d) once the card currency is identified, the transaction can then be set to that currency as its operating currency.

Between July 1999 and June 2000, a major local bank (the “**Bank**”) entered into negotiations with the Respondent for a licence to use the invention in the Patent (the “**Invention**”). However, these negotiations were unfruitful.

On 11 October 2001, the Bank entered into an agreement with First Currency Choice Pte Ltd (“**FCC**”), under which the latter would offer the then newly-available First Currency Choice System (the “**FCC System**”) for use at various merchant outlets linked with the Bank.

On 10 May 2002, the Respondent informed the Bank through an e-mail that the European Patent had been granted and that corresponding patent applications were pending in over 60 countries, including Singapore.

The Respondent subsequently brought an action against the Bank and FCC (collectively referred to as the “**Appellants**”). The Respondent claimed that the Appellants had infringed the Patent by offering for use in Singapore since December 2001 the FCC System, a card currency recognition system said to perform the same function as the Respondent's Invention.

Issues Raised in the High Court

Before the High Court, the Appellants contended that the Patent failed for lack of novelty and submitted various alleged prior users and prior art. They also argued that the Patent was invalid because it did not involve an inventive step and the patent specification did not sufficiently disclose the Invention for it to be performed by a skilled person.

Decision of the High Court

The High Court held that the Appellants' evidence was insufficient to qualify them as prior users of the Invention or to establish existence of prior art. Accordingly, the High Court held that the Invention was novel.

On the issue of inventiveness, the court held that at the material time, no other party had introduced an automatic system to implement the process of deciphering a payment card's operating currency.

As to the issue of sufficiency of product specification, the High Court held that the terms “*identifier code*”, “*issuer code*” and “*identified issuer code*” were elaborated on in the Patent. Further, a notional skilled person “*would have no difficulty performing the Invention after having studied the specifications in the Patent*”.

The High Court found that the Patent was valid and that the Appellants had infringed the Patent. It was immaterial that the FCC System performed automatic currency identification in a slightly different sequence from that in the Patent or had some additional feature which was not in the Patent; what mattered was that the FCC System did perform the same function using the integers of the claims in the Patent and the variation or addition did not alter the essence.

The High Court accordingly found in favour of the Respondent and granted an injunction against further infringement of the Patent.

Plea of "innocent Infringement"

The High Court noted that an infringer would have to prove absence of knowledge, and absence of reasonable grounds for supposing, that the patent existed in order to succeed in a plea of "innocent infringement" under section 69 of the Patents Act.

As the Bank had knowledge of the Patent (or at least reasonable grounds for supposing that it existed) by virtue of the Respondent's e-mail of 10 May 2002 notifying it of the European Patent and the pending Singapore patent application, any "innocent infringement" ended by that date.

The High Court held that, in an appropriate situation, a grace period could be granted for an innocent infringing party to bring its infringing activities to a stop after it became aware of a relevant patent. However, the present case did not warrant such equitable intervention because there was no evidence to indicate that the Bank took steps to stop using the FCC System after it received the 10 May 2002 e-mail.

Accordingly, the Bank's liability for damages commenced as of 10 May 2002.

Issues Raised in the Court of Appeal

The Appellants appealed against the High Court's decision. Their three main grounds of appeal were whether the Patent involved an inventive step, whether the patent specification sufficiently disclosed the Invention, and whether the Appellants had infringed the Patent.

Decision of the Court of Appeal

Applying settled principles of patent law to the facts of the case, the Court of Appeal upheld the High Court judge's decision on the abovementioned three issues and dismissed the appeal.

Plea of "innocent Infringement"

Although the Appellants had not challenged the High Court's finding on the plea of innocent infringement, the Court of Appeal addressed some concerns which had arisen in connection with this issue.

The Court of Appeal acknowledged that there is "*some disinclination on the part of the courts to award damages for acts of infringement committed during a period of 'innocence' ... the statutory test [in section 69 of the Patents Act] for determining whether an infringer was aware or should have had reasonable grounds for supposing that the patent in dispute existed is an objective one*". The

court also noted that the English courts look at whether the infringing party made “*the necessary investigation which a prudent man of business in the same circumstances would have made*”.

The Court of Appeal further observed that “*the publication of a patent application is significant because it can serve as a form of notice (either actual or constructive) to the infringer, thereby modifying the protection afforded by the plea of innocent infringement*”.

As the Bank is not in the line of software business, and there was no evidence adduced at trial as to whether the Bank should reasonably have known that the Singapore patent application was pending, the Court of Appeal took the view that it would be unreasonable to hold that the *mere publication* of the Singapore patent application should be deemed to have put the Bank on notice of potential patent infringement. However, the court emphasised that the plea of innocent infringement is not available to an infringer *who has been informed* of the existence of the patent application.

On the facts, the Bank was notified of the European Patent and the pending Singapore patent application on 10 May 2002. Therefore, the Bank could only successfully plead “innocent infringement” up to 10 May 2002, the date when it first received such notice.

Comments

This decision is notable on two fronts. It is the first reported Singapore Court of Appeal decision on whether claims for a software patent will be upheld. By affirming the High Court’s decision, the Court of Appeal has clearly signalled that such claims can, and will, in an appropriate case, be upheld in Singapore.

The second notable point is that, where innocent infringement is concerned, knowledge of the patent is not automatically imputed to the infringer merely by publication by relevant authorities, such as the Intellectual Property Office of Singapore or the World Intellectual Property Organization (in the case of Patent Cooperation Treaty applications). Whether such knowledge can be imputed depends on the facts of the case. A relevant factor is whether the infringer is in the same industry as the patentee (eg., in the present case, the software industry). Actual notice by way of an email, for example, would constitute sufficient notice to defeat a plea of innocent infringement.

If you would like more information about this legislation or wish to discuss how it may potentially affect you or your business, please feel free to contact the intellectual property lawyers in Drew & Napier LLC (please refer to the Directors’ Profiles on our website), or either of the following lawyers:

Morris John
Managing Director (Intellectual Property)
T: +65 6531 2503
E: mj@drewnapier.com

Gerald Koh
Director (Intellectual Property)
T: +65 6531 2559
E: gerald.koh@drewnapier.com

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OUR BUSINESS GROUPS AND PRACTICE AREAS

BANKING/GENERAL FINANCE

David Ang
T +65 6531 2236
F +65 6535 4864
E david.ang@drewnapier.com

Valerie Kwok

T +65 6531 2222
F +65 6535 4864
E valerie.kwok@drewnapier.com

BIOMEDICAL SCIENCES

Tony Yeo
T +65 6531 2512
F +65 6220 0324
E tony.yeo@drewnapier.com

BUILDING & CONSTRUCTION

Tan Liam Beng
T +65 6531 4139
F +65 6533 3591
E liambeng.tan@drewnapier.com

CAPITAL MARKETS

Sin Boon Ann
T +65 6531 2206
F +65 6535 4864
E boonann.sin@drewnapier.com

CHINA BUSINESS GROUP

David Chin
T +86 21 6335 1628
F +86 21 6335 0638
E david.chin@drewnapier.com

COMPETITION LAW

Lim Chong Kin (non-contentious)
T +65 6531 4110
F +65 6535 4864
E chongkin.lim@drewnapier.com

Cavinder Bull (contentious)

T +65 6531 2416
F +65 6533 3591
E cavinder.bull@drewnapier.com

CORPORATE

David Ang
T +65 6531 2236
F +65 6535 4864
E david.ang@drewnapier.com

Gary Pryke

T +65 6531 4104
F +65 6535 4864
E gary.pryke@drewnapier.com

Yeo Wee Kiong

T +65 6531 2500
F +65 6535 4864
E weekiong.yeo@drewnapier.com

CORPORATE INSOLVENCY & RESTRUCTURING

Sushil Nair
T +65 6531 2410
F +65 6532 7149
E sushil.nair@drewnapier.com

Manoj Sandrasegara

T +65 65314156
F +65 65327149
E manoj.sandra@drewnapier.com

EMPLOYMENT & IMMIGRATION

Indranee Rajah, SC
T +65 6531 4100
F +65 6532 7149
E indranee.rajah@drewnapier.com

FAMILY & MATRIMONIAL

Randolph Khoo
T +65 6531 2418
F +65 6532 7149
E randolph.khoo@drewnapier.com

FUND MANAGEMENT, REIT & PRIVATE EQUITY

Petrus Huang
T +65 6531 2208
F +65 6533 0694
E petrus.huang@drewnapier.com

INFO-COMMUNICATIONS, MEDIA & TECHNOLOGY

Lim Chong Kin
T +65 6531 4110
F +65 6535 4864
E chongkin.lim@drewnapier.com

INSURANCE & REINSURANCE

Gary Pryke
T +65 6531 4104
F +65 6535 4864
E gary.pryke@drewnapier.com

INTELLECTUAL PROPERTY

Morris John (Patents)
T +65 6531 2503
F +65 6533 0694
E mj@drewnapier.com

Redar Singh Gill (Trade Marks)

T +65 6531 2507
F +65 6533 0694
E redar.singh@drewnapier.com

LITIGATION & DISPUTE RESOLUTION

Jimmy Yim, SC
T +65 6531 2504/2505
F +65 6533 3591
E jimmy.yim@drewnapier.com

PROJECT FINANCE

Gary Pryke
T +65 6531 4104
F +65 6535 4864
E gary.pryke@drewnapier.com

PROPERTY

Chua Bee Lan
T +65 6531 2302
F +65 6535 1952
E beelan.chua@drewnapier.com

SHIPPING & INTERNATIONAL TRADE

Ian Koh
T +65 6531 2436
F +65 6533 3591
E ian.koh@drewnapier.com

TAX, TRUSTS, ESTATE PLANNING & PROBATE

Teoh Lian Ee
T +65 6531 2248
F +65 6535 4864
E lianee.teoh@drewnapier.com

TRANSNATIONAL & CROSS-BORDER WORK

Julian Kwek
T +65 6531 2485
F +65 6532 7149
E julian.kwek@drewnapier.com

OTHER OFFICES

Shanghai Office
#2501 Office Tower
Bund Center
222 Yan An Road East
Shanghai 200002
China
T +86 21 6335 1628
F +86 21 6335 0638
E china@drewnapier.com

Drewmarks Patents & Designs (Malaysia) Sdn Bhd
9th floor
Bangunan Getah Asli (Menara)
148 Jalan Ampang
50450 Kuala Lumpur, Malaysia
T +603 2162 2522/2162 2529
F +603 2162 2804
E drewmark@tm.net.my

PT Drewmarks Konsultama
Correspondence address:
20 Raffles Place
#17-00 Ocean Towers
Singapore 048620
T +65 6531 2503/6531 2504
F +65 6533 0694
E ip@drewnapier.com

DrewCorp Services Pte Ltd
20 Raffles Place
#09-01 Ocean Towers
Singapore 048620
ROC No. 200102492H
T +65 6531 2266
F +65 6533 1542/6533 7649
E services@drewcorpservices.com