

Da Vinci Collection Pte Ltd v Richemont International SA
[2006] SGCA 19

Case Number : CA 57/2006
Decision Date : 22 June 2006
Tribunal/Court : Court of Appeal
Coram : Chan Sek Keong CJ; Andrew Phang Boon Leong JA
Counsel Name(s) : Tan Tee Jim SC (Lee & Lee) for the appellant; Dedar Singh Gill and Penny Leng (Drew & Napier LLC) for the respondent
Parties : Da Vinci Collection Pte Ltd — Richemont International SA

Injunctions – Interim injunction – Respondent suing appellant for infringement of name mark – Respondent obtaining interim injunction restraining appellant from advertising composite mark in relation to watches and watch straps in conjunction with release of specific movie – Appellant appealing against grant of interim injunction – Whether serious issue to be tried existing – Whether damages adequate remedy should injunction not be granted – Whether balance of convenience favouring granting of injunction

Trade Marks and Trade Names – Infringement – Name mark – Whether name mark infringed by composite mark comprising name mark and device – Whether likelihood of confusion existing – Sections 27(1), 27(2) Trade Marks Act (Cap 332, 2005 Rev Ed)

22 June 2006

Chan Sek Keong CJ (delivering the grounds of decision of the court):

Background

1 This is an appeal by the appellant, Da Vinci Collection Pte Ltd, against the decision of the learned trial judge (“the Judge”) made on 15 May 2006 granting to the respondent, Richemont International SA, an interim injunction until judgment or until further order restraining the appellant, as well as its servants or agents, from advertising in any manner the mark

[LawNet Admin Note: Click on the link to the PDF above to see Image 1]

(“the composite mark”) in relation to watches and watch straps in conjunction with and/or in relation to the movie “The Da Vinci Code” scheduled to be released in Singapore on 18 May 2006. The appellant has applied on 25 March 2004 to register the composite mark in Class 14 for, *inter alia*, watches and watch straps. The respondent has objected to the application, and the determination of the application by the Registrar of Trade Marks is pending.

2 This is the appellant’s advertisement:

[LawNet Admin Note: Click on the link to the PDF above to see Image 2]

3 It can be seen from the advertisement that what is being advertised in connection with the release of the movie “The Da Vinci Code” is a diamond-encrusted watch bearing the initials DV (“the DV initial mark”) on the dial. The appellant is the registered proprietor of the DV initial mark in Class 14 for watches and watch straps. The appellant is selling the watches as fashion accessories, together with jewellery and leather goods. As shown, the sale of the watch with the DV initial mark is being advertised as part of the appellant’s DA [device] VINCI jewellery collection, as seen on the lower right hand corner of the advertisement. To give a closer look, this is the DV initial mark on the watch:

[LawNet Admin Note: Click on the link to the PDF above to see Image 3]

4 The interim injunction is extremely wide as it covers all watches and watch straps, whether or not they have any marks on the dials or on the backs, and whatever the marks might be. Thus, in the case of the advertisement in question, the injunction applies to watches bearing the DV initial mark on their dials. In these proceedings, the respondent produced a watch sold by the appellant with the back of the watch face bearing the words DA VINCI above the device. However, no watch has been produced bearing the composite mark on the face or the back. Thus the objective of the respondent was not to stop the appellant from selling watches with any mark (other than with the name "DA VINCI" ("the name mark")) but to prevent the appellant from *advertising* its watches using the composite mark for that purpose as shown in the advertisement above. But looking at the advertisement closely, it should be noted that the composite mark is not being used in relation to watches or watch straps, but in relation to its jewellery and to the movie "The Da Vinci Code". The use of the composite mark in the advertisement in relation to watches is one step removed and the watch that is actually being advertised is not a DA VINCI watch but a DV watch.

5 The brief background facts are as follows. The respondent is the registered proprietor of the trade mark "IWC", the acronym for an internationally famous watch company called "International Watch Company" which markets very prestigious and upmarket watches under the "IWC" trade mark. Additionally, the respondent is also the registered proprietor of the name mark "DA VINCI" in Class 14 for watches and watch straps. The respondent claims that it has sold watches bearing the "IWC" and "DA VINCI" marks together in Singapore since 1987, and that the value of such watches sold from 2000 to 2006 was about \$6m (or about \$100,000 a month). These watches have been sold at the price of about \$5,000 to \$40,000 a piece through accredited agents in Singapore.

6 The respondent claims that the appellant has also been selling in Singapore since May 2004, and without the consent of the respondent, watches and watch straps under the name mark "DA VINCI" as well as under the composite mark.

7 The respondent has commenced Suit No 800 of 2005 against the appellant for infringement of its name mark under ss 27(1) and 27(2) of the Trade Marks Act (Cap 332, 2005 Rev Ed) ("the Act") and for damages. The appellant has denied infringement and has counterclaimed for revocation of the respondent's name mark on the ground of non-use under ss 22 and 105 of the Act and for a declaration of invalidity under s 23 of the Act and on the ground of bad faith under s 7(6) of the Act.

8 On 26 April 2006, the Judge gave summary judgment to the respondent against the appellant for infringement of the respondent's name mark and also granted an injunction to the respondent to restrain the appellant from infringing the respondent's registered trade mark "DA VINCI" by the use of the name mark "DA VINCI" in relation to watches. The respondent did not apply for summary judgment with respect to the appellant's use of the composite mark on its watches. This particular claim will go to trial. The appellant has appealed against the summary judgment.

Interim injunction against advertising of composite mark

9 Subsequent to the summary judgment, the appellant began to advertise the sale of its watches as shown in the advertisement (see [2] above) in conjunction with the release in Singapore of the movie "The Da Vinci Code" on 18 May 2006. The respondent applied on 10 May 2006 to the court for an interim injunction to restrain this advertising campaign. On 15 May 2006, the Judge granted the order in terms of the order set out above, subject to an undertaking to pay damages to be fortified by a banker's guarantee for the sum of \$800,000. This sum represents the amount that the appellant has claimed to have incurred in connection with this advertising campaign.

1 0 This appeal was heard on an expedited basis. On the basis of *American Cyanamid Co v Ethicon Ltd* [1975] AC 396, counsel for the parties accepted that the issues before the court were: (a) whether there was a serious question to be tried; (b) if there was, whether damages would not be an adequate remedy; and (c) where the balance of convenience lay.

11 Before we deal with these issues, we should reiterate what the interim injunction was all about. The respondent's complaint was not directed against the use by the appellant of the DV initial mark on its watches. The complaint was not even against the use of the composite mark as part of the advertising campaign. It was the use of the composite mark in the advertisement *in connection with scheduled release of the movie "The Da Vinci Code"*. It was the publicity connected with the movie that the respondent was concerned about, and the concern was that it would lead potential buyers of its DA VINCI watches to believe that any watches as advertised originated from the respondent. Hence, the outcome of the appeal before us turned on the effect of the advertising campaign unleashed by the appellant. With this background in mind, we now address the three issues.

Whether there was a serious issue to be tried

1 2 On point (a) counsel for the appellant contended that there was no serious question to be tried because the composite mark was so different visually from the respondent's name mark that there was no likelihood of confusion among the buyers of the parties' respective watches, given the differences in the prices of the watches, the design of the watches, the locations of the sales outlets and the target consumers. Counsel for the appellant referred to *The Polo/Lauren Co, LP v Shop In Department Store Pte Ltd* [2006] SGCA 14 and *Baywatch Production Co Ltd v Home Video Channel* (1996) 37 IPR 12. On the design of the watches, counsel for the appellant pointed out that the respondent has never used the name mark "DA VINCI", *but only its other mark "IWC"*, on the dial of its watches. The name mark "DA VINCI" is only used at the back of its watches. Counsel contended that the name mark is not used to indicate the origin of the watches but only to indicate a line of watches from the "IWC" family of watches sold by the respondent. He also pointed out that from May 2004 until the respondent's court action in November 2005, there was no evidence of actual confusion among watch buyers in Singapore between the two marks and that the volume of sales of the respondent's "DA VINCI" watches was small, amounting to about \$100,000 a month. As such, there was no likelihood of confusion and therefore no serious issue to be tried. Counsel for the appellant also pointed out that the underlying policy of trade mark law is to protect consumers, not confer a monopoly on the trade mark owner: registration does not give the registered owner a monopoly in his mark but only an exclusionary right to exclude others using a similar mark in a way that gives rise to a likelihood of confusion on the part of the public.

1 3 Counsel for the respondent contended there was a likelihood of confusion as the two marks used the words "DA VINCI" and were identical except for the device placed between the words "DA" and "VINCI" and that the composite mark was being used on identical goods. He also submitted that there was no difference aurally between the two marks as the device in the composite mark was not pronounceable, and therefore everyone would call the composite mark "DA VINCI", thus giving rise to the likelihood of confusion between the two marks among the public. Counsel for the respondent also argued that the name mark was being used as a secondary mark on the respondent's watches, as is common in the trade, to indicate the origin of the watches.

1 4 Point (a) did not require the respondent to show at this stage of the proceedings a *prima facie* case that there was trade mark infringement but only that its allegations were not frivolous or vexatious. But the respondent had to show that there was a serious issue to be tried in relation to whether there was a likelihood of confusion between the two marks to sustain its interim injunction. As we were able to determine this appeal on the basis of the other points, we did not think it was

necessary or desirable for us to decide point (a) as to whether there was a serious issue to be tried in relation to the likelihood of confusion among the buyers of prestigious watches. The reason is that the success of the respondent's substantive action against the appellant depends largely on the determination of this issue in its favour. We do not wish that anything we say here on this issue may be misconstrued or misunderstood and have an unintended effect on the determination of this issue in the main action. If we have to assume that the threshold of a serious issue to be tried has been crossed in the appeal, we will do so in order to address point (a). However, we need to reiterate that the appellant's watch as shown in the advertisement bears the DV initial mark on its dial, and it was the advertising of the watch using the composite mark in connection with the screening of the movie "The Da Vinci Code", and not the sale of the watches, that was being objected to.

Whether damages an adequate remedy

Irreparable damage

1 5 On point (b) counsel for the appellant submitted that damages were an adequate remedy as they could be easily calculated from the annual or monthly sales of the watches sold under the name mark. The appellant was financially sound and was able to meet such damages that the respondent might suffer as a result of the appellant's advertising campaign in conjunction with the screening of the movie. On the other hand, the appellant asserted that its losses were unquantifiable as it was impossible to know how many more watches would have been sold as a result of the advertisement but for the interim injunction. Other kinds of losses in connection with the appellant's other businesses could also flow from the "afterglow" and the positive knock-on effects of its advertising campaign as well. Counsel for the appellant contended that the fact that the appellant had the freedom to continue to sell its watches did not mean that it would not suffer unquantifiable damage from these other kinds of losses.

Irrevocable loss of reputation and goodwill

1 6 Counsel for the respondent submitted that the volume of sales was only one factor in determining adequacy of damages. To the respondent, the most important factor in this case was that if the appellant was allowed to advertise and promote its watches in conjunction with the movie, the publicity for the appellant's watches would "*overwhelm the respondent's reputation and goodwill in the mark for watches and create confusion in the public mind as to the source or origin of watches bearing the mark "DA VINCI"*". This would cause irreparable damage to the reputation of the respondent with respect to its name mark. Damage to reputation and goodwill, it was argued, is always irreparable. Counsel for the respondent referred to the decision in *Elan Digital Systems Ltd v Elan Computers Ltd* [1984] FSR 373 ("*Elan*"). In that case, the plaintiff had been using the name "ELAN" to market its EPROM programmers since 1976. When the defendant on 15 June 1983 began to use the same name to market its home computers, the plaintiff thereupon began to get inquiries for the defendant's computers and immediately commenced a passing off action seeking to restrain the defendant from using the identical mark "ELAN". There being a triable issue, the court granted an interim injunction to restrain the defendant, who had committed a large sum of money on an advertising campaign, on the ground that the damage to the plaintiff would be irrevocable, "that the damage to its goodwill may well be catastrophic in that it will be swamped: and that the damage to its goodwill may well be unquantifiable": at 382. Counsel for the appellant has countered that the respondent's argument assumes that the respondent already has a reputation and goodwill in its name mark, which is the very issue to be tried in the substantive action.

1 7 Counsel for the respondent went so far as to assert that the loss of reputation and goodwill to the respondent would be very substantial, even total, and that its name mark would be made

worthless in the market as a result of appellant's advertising campaign in conjunction with the movie "The Da Vinci Code". This campaign would lead the public to associate the name mark solely with the appellant's watches and would render the respondent's watches unmarketable under its name mark as the blitz of the appellant's advertising would inundate its name mark and devalue the respondent's goodwill and reputation in the mark. Counsel contended that the "Da Vinci" line of watches was an important family of IWC watches. In effect, the advertising campaign would result in the appellant appropriating the respondent's name mark for its watches.

1 8 Counsel for the appellant contended that the "overwhelming" arguments by counsel for the respondent were speculative and without any basis on the following grounds:

- (a) The respondent's action is based on trade mark infringement under s 27(2) of the Act (which requires proof of reputation in a trade mark to prove infringement by an identical sign used in relation to goods or services similar to those for which the trade mark is registered; or a similar sign used in relation to goods or services identical or similar to those for which the trade mark is registered, resulting in a likelihood of confusion on the part of the public) and not under s 27(3) (which specifically requires proof of reputation in a well-known mark in Singapore to prove infringement by a sign which is identical with or similar to the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered). Neither is the respondent's action based on the tort of passing off.
- (b) Reputation and goodwill in the name mark have not been pleaded.
- (c) There is no claim that the name mark is well known in Singapore.

19 Counsel also pointed out that the respondent had claimed to have spent \$118m in advertising IWC watches worldwide, including "Da Vinci" watches, and also sold about \$6m of the IWC "Da Vinci" watches between 2000 and 2006 in Singapore. Given the sizable volume of the respondent's sales and its advertising expenditure, it would not be possible for the appellant's advertising campaign, which cost about \$800,000, to overwhelm the respondent's reputation in its name mark. Counsel referred to the following passage in *Kerly's Law of Trade Marks and Trade Names* (Sweet & Maxwell, 14th Ed, 2005) ("*Kerly's*"), at para 19-093 on the nature of "swamping". It reads:

Another factor of importance in certain cases is "swamping", which is to say that where the defendant is a much bigger concern than the claimant, it may be that his use will be so extensive that by trial the claimant's reputation will have been overwhelmed.

In this case, the respondent's business in watches was much bigger than that of the appellant.

20 We agreed with the submissions of counsel for the appellant on this issue. We were satisfied that lifting the injunction was not likely to cause substantial, much less irreparable, damage to the respondent's reputation in its name mark. We agreed that the "overwhelming" effect was speculative and not supported by the evidence before us. From the affidavits filed in the action, it seemed clear that the respondent's reputation in its watches was in the "IWC" mark, which is a prestigious international brand, rather than in the name mark itself. As pointed out by the appellant's counsel, the name mark had not even been used on the dials of the respondent's watches; it only appeared at the back of the watches. Only the "IWC" mark had been so used on the dials. He also pointed out that the focus of the respondent's advertisements had always been on the "IWC" brand, not the name mark. Counsel for the respondent submitted that the name mark was used as a secondary mark and as such was capable of acquiring a reputation of its own to indicate the origin of the watches. However, the evidence before us showed that the name mark was never used by itself on any of the

respondent's IWC watches, but was always used as an adjunct to the "IWC" mark. We concluded on these facts that it was unlikely that the respondent would lose its goodwill and reputation in its name mark or that such reputation was likely to be irrevocably destroyed or made worthless by the opportunistic advertising campaign of the appellant since the prestige of the premium mark or brand "IWC" would not be affected in any way by the advertisement. Although *Kerly's* at para 19-083 notes that "infringement may easily destroy the value of a mark or ... [it] reduces the distinctive character of the claimant's mark", this is not the case here, especially when the respondent's watches are primarily sold under the premium mark "IWC".

2 1 If indeed the respondent were to suffer any damage from the appellant's advertising campaign in conjunction with the screening of the movie "The Da Vinci Code", it would be the loss of sales of its IWC watches during this period. Such loss is quantifiable. It also seemed to us that should the respondent succeed in its substantive claim, the appellant would have to cease using the composite mark on its watches or to advertise them, leaving the Singapore market entirely to the respondent. Any member of the public who wanted to buy a "DA VINCI" watch in Singapore would then have to buy it from the respondent. This would mean that the appellant's advertising campaign would have given free publicity for the respondent's watches, heightened consumer interest in the respondent's watches and boosted its sales, rather than, as the respondent fears, damaged its reputation irrevocably. On the other hand, should the respondent fail in its substantive action, the interim injunction would have been entirely unjustified and the losses suffered by the appellant resulting from the loss of additional sales during the duration of the interim injunction would be difficult to assess.

22 We have considered the respondent counsel's argument founded on the case of *Elan* ([16] *supra*) that the likelihood of irreparable loss of reputation was an important factor to grant an interim injunction. In our view, the court granted the interim injunction in that case because it was very much persuaded by the nature of the cause of irrevocable damage to the goodwill of the plaintiff in its trade mark. In that case, the "ELAN" mark was being used by the defendant to sell its cheap home microcomputers produced for the mass market. The plaintiff's evidence as stated in the first affidavit of its managing director (at 381) was as follows:

The market for cheap home microcomputers is a difficult and hazardous one, there having been already a number of failures by companies trying to establish themselves in that market. In the event that the defendants fail, *then the plaintiff company will also suffer by the name 'Elan' being associated with such failure.* [emphasis added]

The passage shows clearly that it was the high risk of the defendant's failure in the market that could drag down the reputation of the plaintiff's goods sold under the "ELAN" mark. Such loss was irrevocable. In the present case, counsel for the respondent has turned this argument on its head by contending that the prospect of the resounding success of the appellant's promotion of its watches in association with the movie "The Da Vinci Code" could lead to the appellant appropriating the respondent's name mark, thereby causing it irreparable damage. Viewed from this perspective, the *Elan* case supported the argument that the appellant's advertising campaign was more likely to add value to respondent's name mark should the respondent succeed in its substantive case. As has been said before, nothing succeeds like success.

Balance of convenience

23 The points discussed in the preceding two paragraphs also go towards the issue of balance of convenience and tilt it in favour of the appellant. There is another crucial factor in weighing the balance. If the interim injunction is not lifted and the season for the screening of the movie "The Da

Vinci Code" ends before the trial of the action, the respondent would have obtained a permanent injunction during this period without the merits of its claim being tried. We do not, of course, know when the movie would be withdrawn from the cinemas in Singapore, but in our view, unless this substantive action is heard on an expedited basis, the likelihood of the injunction becoming a permanent injunction is more likely to occur than that of the reputation of the respondent in its name mark being "overwhelmed" as a result of the appellant's advertising campaign.

The status quo

24 Counsel for the respondent has also argued that in assessing the balance of convenience the court should bear in mind that the appellant had embarked on its advertising campaign with its "eyes wide open" and that this was a high risk strategy having regard to the fact that the respondent had obtained summary judgment against the appellant for infringement of its name mark. However, counsel for the appellant pointed out that the respondent had filed an affidavit on 3 April 2006 confirming that the respondent would be applying for the summary judgment only in relation to the identical name mark "DA VINCI" for identical goods. This, according to counsel, gave the appellant reason to believe that there was no likelihood of confusion with respect to its composite mark and that the appellant could carry on advertising its watches using its composite mark. In our view, the appellant was entitled to take whatever risks it considered lawful to promote its business. The following commentary in *Kerly's* at para 19-091 is apposite:

A related issue is the question of defendants who act with "eyes open", in the sense of knowing that the claimant may object to their conduct, it sometimes being argued that such persons are undeserving of sympathy. There is something a little illogical about the argument, since it would seem wrong to count against such a defendant the fact that he has considered his proposed conduct and concluded that it would be lawful, particularly when there is a good chance that his conclusion is correct.

25 As stated earlier (at [4] and [11]), the respondent did not seek to restrain the appellant from selling its watches under the composite mark or its DV initial mark or any other mark, but from advertising the sale of such watches using the composite mark in association with the screening of the movie "The Da Vinci Code". Counsel for the respondent conceded that the respondent would not be able to obtain an interim injunction to restrain the appellant from selling its watches using the composite mark or the DV initial mark. This raised a threshold question why, in such a situation, the respondent should be entitled to an interim injunction to restrain the appellant from advertising them, even in connection with a highly publicised movie. This strategy seemed counter-intuitive and was an inversion of the normal order of priority of its commercial interests. It is plain logic that if the law cannot restrain the commission of a more damaging act (selling the product), it cannot restrain the commission of a less damaging act (advertising the product). The respondent thought it had found the justification in the *Elan* case. We have already explained why the rationale of that decision has no application to the facts of the present case.

26 The last point to note in relation to what the status quo should be was that from May 2004 until 4 May 2006 (when the respondent sent a letter of demand to the appellant to stop the use of its trade mark in advertising in relation to the movie), the appellant had been advertising its watches using the composite mark without any objection from the respondent. The respondent started to object only when the advertising was done in conjunction with the release of the movie "The Da Vinci Code". The status quo prior to the interim injunction was therefore that the appellant had been freely selling its watches using the composite mark to promote its sales. In our view, if there was a need to preserve the status quo, that was the status quo. We did not think that in the circumstances the respondent was entitled to restrain the appellant from embarking on a more extensive or intensive

campaign to market the same watches simply because it might increase the sales of its watches greater than in ordinary circumstances. We did not accept the argument of counsel for the respondent that the "high risk" strategy of the appellant in embarking on its advertising campaign in conjunction with the movie had altered the status quo in the appellant's favour. On the contrary, it was the interim injunction that had altered the status quo in favour of the respondent.

Conclusion

27 For the reasons that we found that damages would be an adequate remedy to the respondent and that the balance of convenience was in the appellant's favour, we set aside the interim injunction, with costs in the cause.

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Image 1

DA VINCI

Image 2

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Image 3

