IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

[1992] SGHC 318

Suit No 1949 of 1991

Between

TRW Inc

… Plaintiff

And

Terus Jaya Auto (S) Pte Ltd

… Defendant

GROUNDS OF DECISION

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TRW Inc v Terus Jaya Auto (S) Pte Ltd

[1992] SGHC 318

Suit No 1949 of 1991
K S Rajah JC
17 December 1992

1 **JUDGMENT:**

2 The question before me was whether the interim injunction obtained by the plaintiffs on 28 September 1991 should be allowed to continue or discharged. At the end of the hearing, I discharged the interim injunction. The plaintiffs appeal. I now give my reasons.

3 The brief facts are as follows:

4 The plaintiffs are a corporation incorporated under the laws of the State of Ohio, United States. The defendants are a private exempt company incorporated under the laws of Singapore.

5 The plaintiffs are in the business of manufacturing and selling a wide variety of goods, including automative spare parts and accessories. The plaintiffs manufacture and by itself, its agents and subsidiaries around the world, sell and distribute large quantities of its goods under and by reference to the name "TRW". The plaintiffs have been selling its TRW products in Singapore since 1974. The plaintiffs have advertised its products under the name "TRW"

extensively in Singapore and around the world. The mark "TRW" has become well known to the trade and public in Singapore and around the world. It is extensively associated with the plaintiffs and the plaintiffs claim that the plaintiffs have therefore acquired a valuable and substantial reputation in the mark "TRW" in Singapore and around the world.

6 The plaintiffs are the registered proprietors of, inter alia, the Registered Trade Mark No. 2318/86 in respect of electric motors, apparatus for stud welding, engine parts, and Registered Trade Mark No. 2240/84 in respect of steering gears and parts and fittings thereof, chassis parts for vehicles. The trade mark registrations have at all relevant times been valid and subsisting.

7 The defendants were incorporated on 19 September 1986 with an authorised capital of $150,000 and a paid up capital of $25,000. This was increased to $500,000 and $400,000 respectively in 1988. The defendants carry on business as importers and traders in auto accessories and spare parts. The average sales turnover has been over $5m and as at 30 September 1990, the unappropriated profit amounted to $2,575. The fixed assets of the defendants amount to over $1m. The external auditors have verified the accounts. The defendants are a related company of Terus Jaya Malaysia and three of the defendants' shareholders are also shareholders and directors of Terus Jaya Malaysia.

8 The defendants purchased automative spare parts from TWR International SA, Geneva Switzerland in 1989 with the assistance of C.C Poon Malaysia Sdn Bhd who are the plaintiffs' authorised agents in Malaysia. Documentary evidence supporting the purchase was produced.

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9 The Swiss company is related or is a subsidiary of the plaintiffs. It has in the past supplied automative spare parts and cylinder liners to C.C Poon (S) Pte Ltd ("C.C Poon Singapore") and to customers through orders placed by C.C Poon Singapore.

10 In December 1990, the plaintiffs suspected the defendants were dealing in counterfeit goods, but that did not stop them from accepting the order placed by the defendants in August 1991 to purchase 1,200 cylinder liners (64-1674) from the Swiss company. The order was placed through C.C Poon Malaysia. The first shipment of 600 liners was delivered in Singapore on 27 August 1991.

11 **Plaintiffs' Case**

12 The operation manager of HS Intellectual Property Services, Wong Siew Hong received instructions from the plaintiffs' solicitor in March 1991 to purchase samples of the TRW automative spare parts sold by the defendants. The investigator was to buy TRW item no. 64-1674 liner 9118 and item no. 64-2624 liner 2400. An investigator made contact with the defendants' company to purchase the spare parts. After some reluctance to deal with walk-in customers, the defendants accepted the investigator's order.

13 On 4 April 1991, the investigator placed an order for six pieces of cylinder liners described as TRW item no. 64-1674 at $48 per piece. The six samples were collected from the defendants' company on 5 April 1991. The sale is not disputed by the defendant and is supported by the cash sale receipt no. 1640 dated 5 April 1991. The defendants were paid $280 in cash.

14 Two of the six cylinder liners that were purchased from the defendants identified as TRW item no. 64-1674 were sent to TRW International SA of

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Geneva, Switzerland, and subsequently to Germany for metallurgical and chemical testing of to see if the liners were genuine or counterfeit TRW parts. The scientific test reports are in German.

15 The two cylinder samples were tested in Germany in SPT's laboratory on 25 October 1991 (the "first test") and on 15 November 1991 (the "second test"). A laboratory report of the test dated 25 October 1991 in German was given. Hans has filed an affidavit in English but the test report is in German. It is not clear if the contents of the affidavit were translated to him.

16 Hans has given the opinion that the laboratory report of the results of the first test shows that the first test sample is not a genuine TRW/SPT product because the percentage of carbon has exceeded the acceptable maximum by 0.13%, the silicon content has exceeded the acceptable maximum by 0.04% and the manganese content was 0.02% below the acceptable minimum.

17 A copy of the report of the second test in German dated 15 November 1991 is also exhibited. Hans has said that the second sample cannot be a genuine TRW/SPT parts because the carbon content exceeds the acceptable maximum by 0.09%, the silicon content exceeds the acceptable maximum by 0.06% and the manganese content is 0.04% below the acceptable minimum. The test sample contains no molybdenum. The genuine product requires at least 0.05% molybdenum. One of the points made by the defendants is that the differences shown are not significant.

18 The reports were prepared by Hans-Joachim Riefe (Hans) of Sealed Power Technologies, Germany. Sealed Power Technologies (SPT) purchased the business of the foundry division of the plaintiffs company's group, TRW Thompson on 1 July 1991 and thereafter continued the manufacture of products

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including those which are the subject of this dispute, according to the same production methods, for sale and distribution by, inter alia, the plaintiffs and its subsidiaries.

19 Marc Henning Michelmann works as a temporary help with M/s Arthur Loke & Pnrs. He was asked by the plaintiffs' solicitor to translate the scientific documents on which the plaintiffs rely. The documents are of a technical nature. Mr Michelmann's qualification to translate documents are not given.

20 The specification of the genuine TRW product as set out in Report No. 00.31.0 was effective from 20 October 1980. It was replaced from 2 June 1981. Report No. MS-309.000.001.00 dated 13 January 1992 is on the product on sale after 2 June 1981.

21 The plaintiffs have several subsidiaries in various parts of the world, but the plaintiffs claim that there is one source of TRW cylinder liners. STP is and has been at all material times the only source of manufacture of genuine TRW cylinder liners. The reason for the centralised manufacture of TRW cylinder liners is to ensure strict quality control as deviations from the standard specifications for TRW parts can result in damage to engines.

22 The plaintiffs' arrangement with the plaintiffs' agents in Malaysia, C.C Poon Malaysia Sdn Bhd is not denied. The plaintiffs' case is that the defendants must have been selling both genuine and counterfeit cylinder liners.

23 In compliance with the order of court dated 28 September 1991, the defendants filed an affidavit stating that the defendant obtained supplies of automative spare parts specified as cylinder liners bearing trademark "TRW" from the Swiss company called TRW International SA (the "Swiss company")

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in November 1989 and August 1991 for 1,000 cylinder liners and 1,200 cylinder liners respectively (product specifications 64-1674).

24 Upon the order of court being served upon the defendants, the defendants' solicitor (C.H Chua & Co) wrote to the C.C Poon Malaysia to ascertain if cylinder liners were purchased from the Swiss company on 30 November 1991.

25 C.C Poon Malaysia replied to the solicitor's letter on 6 December 1991 saying:

26 (1) they had never dealt with the defendants but with Terus Jaya Auto (M) Sdn Bhd ("Terus Jaya Malaysia");

27 (2) Terus Jaya Malaysia did purchase the cylinder liners (vide order No. 8047) for shipment to be made to the defendants in Singapore.

28 (3) C.C Poon Malaysia Sdn Bhd confirmed that the copies of TRW invoices 0/00393, 0/01250, and 1/03281 that were sent to them by the defendants were in order.

29 The defendants sold the first batch of 1,000 cylinder liners. The defendant sold the whole of the 1,000 cylinder liners to SPB company in June and July 1990 but the defendants had to provide the warehousing for the 1,000 cylinder liners in the defendants' warehouse. Stock cards were exhibited. The defendants re-purchased from Syt. Perniagaan Bintang 6, Lorong 4, Jalan Sentosa, Larkin, Johor Baru, Malaysia (the "SPB company"), a total of 30 pieces of cylinder liners on 5 April 1991 and 5 August 1991. The cash sales receipts are exhibited.

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30 The defendants ordered 1,200 cylinder liners (64-1674) from the Swiss company in August 1991 after the trap purchase in April 1991. The first shipment of 600 liners are in the defendants' warehouse. The defendants have not sold any of the goods in compliance with the order of court. The goods were supplied to the defendants by the plaintiffs even though the plaintiffs suspected the defendants of dealing in counterfeit "TRW" products from as far back as December 1990.

31 There were two motions before me:

32 (1) The defendants' motion dated 14 February 1992 for the discharge of injunction and;

33 (2) the plaintiffs' motion dated 2 October 1991 for the continuation of the ex parte interim injunction obtained on 30 September 1991.

34 The motions were heard together. The question was whether the interim injunction should be discharged or allowed to continue.

35 The plaintiffs are a United States corporation. The liners however, are solely manufactured by Sealed Power Technologies Gmbh (formerly TRW Thompson Gmbh) of Germany and are sold by amongst others by the subsidiary called TRW International SA.

36 On 28 November 1989, the defendants placed an order for 1,000 "TRW" cylinder liners (64-1674) from the plaintiffs' subsidiary in Geneva, TRW International SA ("TRW SA"). The order was accepted. The liners were delivered to the defendants by March 1990. The order was placed through the

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plaintiffs' Malaysian agent but the goods were delivered to the defendants in Singapore.

37 The plaintiffs suspected the defendants from December 1990, but the order placed by the defendants in August 1991 for 1,200 cylinder liners was accepted. Six hundred of the liners were delivered to the defendants on 27 August 1991. The plaintiffs may have received the order from their Malaysian agents but they were delivering the liners to the defendants in Singapore. This is a case where the plaintiffs want to have their cake and eat it. They cannot blow hot and cold.

38 The defendants say there was no infringement of trade mark no. 2240/84, and that the cylinder liners are not from any perspective, "steering gears and parts and fittings thereof, chassis parts". There was also no infringement of trade mark no. 2318/86 because the defendants' cylinder liners were purchased from the plaintiffs' Swiss subsidiary and that the trade mark was applied on the liners by and/or with the plaintiffs' consent and that the six counterfeit cylinder liners were purchased from the plaintiffs and were part of the consignment of the 1,000 liners. The plaintiffs rely is that: "the defendants may have been selling both genuine and counterfeit cylinder liners".

39 The defendants have challenged the evidence that the liners tested in Germany/Switzerland are from the six liners purchased from the defendants. The evidence is far short of fulfilling the onus of showing or indicating infringement and that the plaintiffs' test on the liners manufacture in November 1991 is not helpful. The test results show that there are only four differences. The differences appear to be insignificant.

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40 The statement of claim filed on 17 September 1991 does not make any reference to the defendants having purchased the cylinder liners from the plaintiff or the Swiss Company. The operation manager of HS Intellectual Property Services who filed the affidavit in support of the ex-parte application has not mentioned anything about the defendants having placed orders with the Swiss company. The Managing Director of C.C Poon Singapore Pte Ltd who filed an affidavit on 18 September 1991 has also not made any reference to the defendants placing orders for and receiving genuine TRW products.

41 It was not disclosed to the learned Judicial Commissioner that the defendants were a company of some standing and that they have had dealings with the plaintiffs for sometime.

42 The discharge of the injunction was sought on many grounds. Reference was made to (1) the delay, (2) the quality of evidence on the technical aspects of the case, but it is sufficient for me to deal with the fact that there was this special factor of the parties having traded and disclosure not having been made of that fact to the learned Judicial Commissioner. I was satisfied that the injunction should be discharged as it would not have been equitable for the interim injunction to continue until judgment in the action.

43 The principles stated by Lord Diplock in the American Cyanamid's case are not statutory provisions. The remedy is discretionary and the principle must be applied with some degree of flexibility. In a number of areas, the courts have not adopted a strict American Cyanamid approach to the granting of interlocutory injunctions and these cases have been explained by reference, to special factors referred to by Lord Diplock at page 409D where he said:

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44 ... there may be many other special factors to be taken into consideration in the particular circumstances of individual cases.

45 A special factor identified in American Cyanamid was that, once doctors and patients had got used to Ethicon's suture in the period prior to trial, it might well have become commercially impracticable for Cyanamid to insist after trial that it be withdrawn. Therefore, the interlocutory injunction was granted.

46 The defendants have the plaintiffs' goods in their warehouse. The goods were properly purchased. There would be an oppressive effect if the injunction is allowed to continue. The plaintiffs took their time after having suspected improper conduct on the part of the defendants.

47 Terus Jaya Malaysia was incorporated in June 1977. It now has an issued and paid up capital of M$399,524. It achieved a sales turnover of M$18,769,389 for the year ended 31 August 1991.

48 On 5 April 1991, the cylinder liners were purchased by the plaintiffs' private investigators. On the 25 June 1991, the technical report by the plaintiffs' subsidiary in Germany was available. The proceedings were not instituted against the defendants until 17 September 1991. There was a delay of 22 weeks before the action was instituted. The plaintiffs were dealing with the defendants and say that any delay in the proceedings is likely to cause further harm and damage to the plaintiffs' reputation and pose a risk to users and potential buyers of the counterfeit TRW automative spare parts.

49 The plaintiffs' damages, if any suffered, are readily quantifiable in financial terms, if the plaintiffs are unsuccessful at the conclusion of these proceedings, the defendants' loss however is not so easily quantified. In August

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1991, the defendants purchased 1,200 cylinder liners from the Swiss company. Uncertainty concerning the authenticity of the liners and the defendants' capacity to dispose the liners at will has been raised. The defendants would suffer loss of profits and would also have to hold the stocks which could suffer deterioration. The defendants would be kept off the market in cylinder liners until judgment whilst the plaintiffs would have had an opportunity to deal with the market.

50 It was submitted before me that there was a serious question to be tried and that the court should not undertake an investigation in the nature of a preliminary trial of the action upon evidence different from that upon which the trial will be conducted. It was not the court's function to resolve a conflict of evidence on affidavits as to facts which the claims of either of the party may ultimately depend on nor to decide on difficult questions of law. (See Chong Fok Shang & Anor v Lily Handicraft & Anor < 1989 > 2 MLJ 348). It was also not for the court to weigh the evidence and that it was irrelevant whether the court thought that the plaintiffs' chances of success in establishing liability are 90% or 20%. (See Alfred Dunhill Ltd v Sunoptics SA < 1979 > FSR 337).

51 In Mothercare Ltd v Robson Books Ltd < 1979 > FSR 466 at 474, Sir Robert Megarry V.C said:

52 The prospect of the plaintiff's success are to be investigated to a limited extent, but they are not to be weighed against his prospects of failure. All that has to be seen is whether the plaintiff has prospects of success which, in substance and reality, exist. Odds against success no longer defeat the plaintiff, unless they are so long that the plaintiff can have no expectation of success, but only a hope. If his prospects of success are so small that they lack substance and

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reality, then the plaintiff fails, for he can point to no question to be tried which can be called `serious' and no prospect of success which can be called `real'.

53 It was submitted that the balance of convenience is in the plaintiffs' favour and that the injunction only restrains the defendants from further infringing the plaintiffs' trade mark or from passing off. Accordingly the defendants' legitimate business was not interrupted and that the defendants are free to deal with any automative spare parts including cylinder liners and will not be deprived of its market share. I find that the defendants' business would be affected and I reject the plaintiffs' submission. It has no merits on the facts of this case.

54 The plaintiffs explain the delay in applying for an interim injunction by their having to seek advice from overseas.

55 **Material Non-disclosure**

56 The plaintiffs submitted that in law material non-disclosure in an ex parte application for an injunction will not mean the injunction will be discharged without going into the merits of the cases and submitted that it was not correct to apply for the discharge of an ex parte injunction on the ground of lack of full disclosure at the interlocutory stage of the proceedings. (See Dormeuil Freres SA & Anor v Nicolian International (Textiles) Ltd < 1988 > 3 ALL ER pg 197). In any case, there has been no material non-disclosure by the plaintiffs as the issue is one of the trade mark infringement and passing off. If the court held that there has been some non-disclosure, the court should nevertheless exercise the discretion to continue the injunction. The interim injunction granted should accordingly be continued until the trial of the action.

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57 I was satisfied that the plaintiffs would not be greatly inconvenienced and would not suffer grievously if the interim injunction was not continued. It took them five months from December 1990 when suspicions were first aroused to make the first purchase. Three months after the trap purchase tests were carried out and the reports were issued on the 25 June 1991. A further three months passed before proceedings were instituted.

58 Ex parte orders are provisional and a party objecting to it can apply to set aside and not to appeal. (See O. 32 r 6). Ex parte applications are made in cases of urgency. There is a duty of full and frank disclosure and the failure to do so may lead to order being set aside. On the facts of this case where the parties were trading the failure to disclose the fact was not acceptable. It is doubtful if the learned Judicial Commissioner would have made the orders he made if all the facts had been disclosed.

59 The purpose of an interlocutory injunction is to maintain the status quo pending trial. The principle in American Cyanamid Co v Ethicon Ltd < 1975 > 1 All ER 504 is that an injunction should not be granted unless otherwise damage is likely to be caused which could not be remedied by money compensation. In a case where the grant of an injunction may result in damages not being uncompensable, the court must determine the case according to the balance of convenience.

60 The interests of the party who is most likely to be in the right on the merits would normally be preferred. The submission was that at the interlocutory injunction stage, the court is not concerned to decide the rights and wrongs of the dispute but only to hold a just balance until the matter can be resolved at the trial. Lord Diplock warned against the temptation of trying to determine the respective merits of the parties' claims on what is no more than

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affidavit evidence at the interlocutory stage but that does not mean that at the interlocutory stage the only question is whether the plaintiff has an arguable case and that it is no business of the judge to concern himself with the plaintiff's prospects of succeeding on the merits.

61 In the Cyanamid case itself Lord Diplock said that the parties' respective chances of success become relevant when the balance of advantage and disadvantage between them is evenly balanced (see < 1975 > 1 All ER 511). In NWL Ltd v Woods < 1979 >3 All ER 614, Lord Diplock added that when the grant or refusal of an interlocutory injunction effectively determines the dispute and disposes of the action, the court should take into account the respective merits. The case of Cambridge Nutrition Ltd v British Broadcasting Corp < 1990 > 3 All ER 523 goes further. The Court of Appeal decided that neither the Cyanamid case, nor the later exception in the case of NWL Ltd v Woods, were to be taken as laying down strict rules but only as illustrating a general principle.

62 In determining where the balance of conveinence lies, when harm will be caused by the preservation of the status quo as well as by its change, the court is entitled, in special circumstances, as in this case, to take into account each party's chances of success in the case.

63 In Lansing Linde Ltd v Kerr < 1991 > All ER 418, decided by a different panel of the Court of Appeal. The plaintiffs claimed to have a valid contract restraining the defendant, their ex-employee. The injunction was refused at first instance. The Court of Appeal approved the approach taken by Knox J where he said it was necessary to take into account the plaintiffs' chances of success at the trial.

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64 The relevance of merits to interlocutory injunctions has now received the seal of approval from the House of Lords in R v Secretary of State for Transport, ex p Factortame Ltd (No 2) < 1991 > 1 All ER 70. The applicants sought to restrain the Crown from giving effect to an Act of Parliament. Both parties would suffer uncompensable loss from an unfavourable decision at the interlocutory stage. The balance of convenience posed a serious problem. Lord Bridge observed:

65 `the injustices < which each party was likely to suffer from an unfavourable interlocutory decision > are so different in kind that < it is > ... very difficult to weigh the one against the other.'

66 He concluded that, in the circumstances:

67 `the most logical course in seeking a decision least likely to occasion injustice is to make the best prediction we can of the final outcome and give to that prediction decisive weight in resolving the interlocutory issue.'

68 In Lansing Linde Ltd v Kerr < 1991 > 1 All ER 418, the Court of Appeal considered the parties' merits and took a wider view of the damage that might be caused by a temporary restraint. The defendant's loss of 12 months' work with his new employers could easily be assessed. Nonetheless, the Court of Appeal concluded that this factor did not provide a conclusive argument in favour of granting an injunction because it was unlikely that the defendant would be able to finance litigation and take the case to trail in order to seek compensation under the cross-undertaking. (See All ER Rev. 1991 pg 262)

69 The interlocutory injunction can be discharged, inter alia for:

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70 (1) Material non-disclosure on an ex parte application.

71 (2) Where the facts do not justify interlocutory relief.

72 (3) The oppressive effect of the injunction, which may be varied.

73 (4) Failure by the plaintiffs to prosecute the claim without delay.

74 In this case there were elements of all the four matters set out above. I did not think it was a proper case for variation.

75 I accordingly ordered:

76 (1) The interim order of 28 September 1991 be discharged.

77 (2) The inquiry as to damages, if any, be deferred until trial.

78 (3) Costs of this motion to the defendants in any event.

79 (4) No order on the plaintiffs' application.

80 (5) Costs of an incidental to the plaintiffs' application to be costs in the cause.

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Alban Kang (Arthur Loke & Pnrs) for the plaintiffs
Tan Tee Jim & C H Chua (C H Chua & Co) for the defendants

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