

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

[1997] SGHC 202

Suit 313/1996

Between

Challenger Technologies

... Plaintiff

And

Dennison Transoceanic
Corporation

... Defendant

GROUND OF DECISION

Tort — Malicious prosecution; Tort — Malicious falsehood; Tort — Trespass
— Goods

This judgment is subject to final editorial corrections approved by the court and/or redaction pursuant to the publisher's duty in compliance with the law, for publication in LawNet and/or the Singapore Law Reports.

Challenger Technologies v Dennison Transoceanic Corporation

[1997] SGHC 202

Suit 313/1996
Lai Siu Chiu J
30 July 1997

1 This is an action for injurious or malicious falsehood, malicious prosecution, trespass to property and trespass to goods.

2 The plaintiff company Challenger Technologies Pte Ltd (Challenger) was incorporated in October 1984 and was/is, in the business of retailing computer products. Challenger operates a retail outlet called Challenger Superstore (the Superstore) in North Bridge Road at Funan Centre, which is well known for its many stores retailing computer-related products.

3 The defendants, Dennison Transoceanic Corporation (DTC) were a wholly owned subsidiary of an American company, Dennison Manufacturing Company. In 1990, Dennison Manufacturing merged with another American company, Avery International Corporation to form Avery Dennison Corporation (ADC). DTC therefore became a subsidiary of ADC. The trademark `Avery` is owned by the defendants' parent company and was duly registered in the Registry of Trademarks in 1972.

4 ADC manufactures the Avery range of adhesive labels for use by various types of computer printers. In addition, it developed a software programme, `LabelPro` which was designed to make the printing of such labels convenient.

5 In early 1993, Malcolm Gray (Gray), then managing director of Dennison Far East (HK) Ltd, a subsidiary of Dennison Manufacturing Corporation, instructed Charles Liew Wing Onn (Liew) to prepare for the Singapore launch of the LabelPro software programme and the Avery line of labels. In the course of his preparations for the launch, Liew (DW2) visited Funan Centre. The purpose of these visits was, in his words

... to update myself on the computer business, because I know that I was going to introduce a product which is related to that industry, so I decided to go there for a market survey (N/E 470).

6 Liew`s attention was drawn to Challenger`s sale of Avery labels on one occasion when he visited the Superstore at Funan Centre although there is some confusion over exactly when this happened. Challenger had put on display boxes of `Avery Computer Labels`. However, the packaging of these boxes was completely different in design from Avery`s original packaging (see P3 and P4); the package had the words `Avery Computer Labels` printed on it. It further had `Challenger[trade]` printed on the top right corner of it. A stick-on label indicating the code number of the product was also affixed on its bottom right corner. Liew`s suspicions were aroused by the nature of the packaging. It is to be noted that boxes of Avery labels in their original packaging were also displayed side by side with those in the packaging unfamiliar to Liew.

7 Liew contacted his immediate superior Gray (DW1), who requested that Liew fax a copy of the suspect packaging to him. After having sight of the fax copy, Gray instructed Liew to contact Arthur Moore (DW8), who was ADC`s chief patent counsel based in California as well as to consult the law firm of

Rodyk & Davidson (R & D), who had previously advised ADC on infringements against its LabelPro software. Mr Gilbert Leong (Leong), a solicitor with R & D, subsequently wrote a letter dated 21 April 1993 (AB45), which sought the approval of Avery to conduct raids on Challenger for the suspect labels and the software pirates for the LabelPro software. The relevant portions of that letter are as follows:

... On a separate but related matter you might wish to know that Mr Charles Liew informed us yesterday that computer labels bearing the name 'Avery' were being marketed by a store in Singapore. This store, Challenger, sells both original and infringing 'Avery' labels. Enclosed is a copy of the packaging used by the shop for its infringing labels. The name 'Avery' is rather prominent and we have ascertained that such use is an infringement of your trade mark No 56317 'Avery' in Class 16.

Based on the provisions of the Trade Marks Act, a raid may be conducted and Challenger be hauled to court for infringing your trade mark rights. Challenger is a major retail store which sells computer peripherals and consumables. Mr Charles Liew and us are of the opinion they ought to be raided and taken to task. This raid should be conducted simultaneously with the raid on the other retail shops selling the pirated software. The raids ought to be conducted in such a manner because if Challenger is raided, it would be a clear indication to the software pirates that you are taking action in the marketplace and having been 'warned', the software pirates would lie low and all our efforts would be wasted ...

8 By a letter dated 23 April 1993 (AB47), Richard Randall (DW3), who was, and is, assistant general counsel with ADC and Arthur Moore's colleague and who had authority to act on the matter, wrote:

Dear Mr Leong:

In reference to your letter of April 21, 1993 to Mr Moore and the Challenger documents provided by Mr Charles Liew, this is to advise that you should proceed against Challenger Superstore for trademark infringement. Mr Moore is travelling this week and part of next. However, I have been in contact with Mr Moore and Mr Sharp at our Avery Division, and we all believe that it is appropriate to take action against Challenger. ...

9 In respect of both the LabelPro software and the Avery labels, ADC was concerned about the costs of executing the raids as recommended by R & D. In a letter dated April 27 1993 (AB54), Randall wrote to Leong:

1 You are authorized to conduct a `raid` against one of the offending retail outlets selling the pirated LabelPro software. We trust that this will be a fairly rapid, `summary` process and that the offending retailer will quickly discern that he is `in the wrong`. We do not expect a protracted legal process. We see the principle (sic) advantage from this procedure as `spreading the word` among other retail outlets, and thereby discourage others from pirating our software ... 3 With respect to Challenger, please advise how many locations would be raided at one time. I can understand that we would need to cover several Challenger outlets, but do we need to cover **every** outlet? ...

10 In response, Leong wrote on the same day (AB52):

... Since Avery does not wish to embroil itself in legal proceedings, we would file only criminal charges against the retailer/pirate. With the evidence obtained during the raid, we do not expect them to claim trial and in all probability, they would plead guilty to the charges. The matter would then end there. Please note that in criminal proceedings, it would not be possible to claim costs against the pirate ...

... As with the software pirate, we should commence criminal prosecution against Challenger. At the same time, we should threaten to take civil action against them even if at the end of the day, no suit may be filed. If they wish to avoid the publicity of a civil suit and also not pay damages to Avery, we may negotiate with them to provide you with an undertaking not to further infringe ...

11 Randall replied on 28 April 1993 again highlighting the concern of Avery that the measures undertaken be `cost-effective`.

1 I have reviewed and noted your comments concerning the raid against one of the software retailers. We understand that legal action will have to be taken against the infringer after the raid, and this will take a period of time. You are correct that you should only file criminal charges against the retailer/pirate. We understand that we will not be able to claim costs against

the pirate in the criminal action. Please advise if, as a consequence of the raid, you determine that the retailer would be in a position to pay costs and damages which could then justify filing a civil action against the pirate ... 2 With respect to Challenger Superstore, I note your comment that there is no need to raid every outlet. I agree that you should raid their principal store and warehouse simultaneously. You will then pursue criminal prosecution against Challenger, and additionally threaten civil action. With respect to Challenger, we would prefer to obtain costs and damages if such a proceeding would be `cost effective.` I assume that the evidence in our favor will be overwhelming, particularly after the criminal proceeding, and that Challenger has the financial resources to pay costs and damages. If Challenger were willing to pay our costs, account for and pay over profits, and deliver the remaining infringing goods, that would be acceptable to Avery Dennison.

12 Leong thereafter contacted a firm of private investigators, Commercial Private Investigation and Security (CPIS) instructing it, inter alia, to prepare to raid the Superstore and Challenger`s warehouse located at Challenger Building on Burn Road (see AB74). On 10 May 1993, CPIS operatives made a trap purchase of the suspected infringing labels from the Superstore. It was also in the operatives` report that Challenger had at least 200 suspect boxes with various codes on sale at the Superstore. Thereafter, R & D gave the go-ahead to CPIS to prepare for the raid. As a result, CPIS drafted a complaint on behalf of Liew which, after certain inconsequential amendments by Leong, was sworn by Liew before a magistrate on 17 May 1993. Liew`s complaint reads as follows:

The complainant being examined on oath states:

I am the manager of Dennison Transoceanic Corporation of Blk 4 Pasir Panjang Road, [num]09-13 PSA Distripark, Singapore 0511 which is the Singapore branch of Avery Dennison Corporation, the Trademark proprietor of `Avery` under Class 16 (Certificate of Registration No 56317).

My parent company has retained and instructed Commercial Private Investigation and Security (CPIS) to investigate Challenger Micro Pte Ltd/Challenger Technologies Pte Ltd (Challenger) believed to be dealing in computer labels that were infringing the registered trade mark of `Avery`.

On 10 May 1993, investigators of CPIS went to Challenger's outlet located at 109 North Bridge Road, [num]05-11/17 Funan Centre, Singapore 0617 to make a trap purchase of the said infringed labels. A box of 'Avery' computer labels was purchased for S\$9.00. There were about 200 boxes of such computer labels available for sale at the outlet. Upon examining the box of computer labels, I confirmed that it was not an original product manufactured by my parent company or its branches or with its consent or license. Challenger has therefore committed an offence under s 73 of the Trade Marks Act.

Subsequent investigation conducted by CPIS revealed that Challenger has a warehouse located at 62 Burn Road, Singapore 1336.

In the light of the foregoing, I have reasonable cause to suspect that counterfeit 'Avery' products are kept at the premises of 109 North Bridge Road, [num]05-11/17 Funan Centre, Singapore 0617 and 62 Burn Road, Singapore 1336. I pray for search warrants to be issued under s 62(a) of the Criminal Procedure Code (Cap 68) to enter the mentioned premises in order that a search may be conducted in the premises and action taken to seize the counterfeit 'Avery' products and documents relating to the act of the infringement.

13 The complaint was sworn before the magistrate at the subordinate courts by Liew who was accompanied by Leong as well as, Tan Chin Huat and Tan See Wei from CPIS. Two search warrants, 68 and 69 of 1993 (for the Superstore and the Burn Road raids respectively) were issued by the magistrate in the standard form and I set out the following paragraph from the former which is replicated in the latter except for the address:

Whereas I have received information and on due inquiry thereupon had I have been led to believe that 109 North Bridge Rd [num]05-11/17 Funan Centre (0617) is in possession of articles infringing the registered trade mark of 'Avery' thereby contravening s 73 of the Trademarks Act (Cap 332).

14 Afterwards, Liew, Tan Chin Huat and Leong made their separate ways to Funan Centre while Tan See Wei went to Burn Road to execute the raid against the Challenger warehouse. Liew had earlier contacted the **Business Times** and the **Lianhe Zaobao** concerning the proposed raids in order that

they might be given coverage by the local press. As a result, Paul Leo Teng Son (PW5) and Teo Meng Lian (PW6) from the ***Business Times*** and ***Lianhe Zaobao*** respectively, followed the party raiding the Superstore. That party consisted of Leong and his assistant from R & D, Liew, Tan Chin Huat and another investigator from CPIS.

15 The Superstore raid was executed at about 2.25pm. The raiding party seized 204 boxes of the suspected infringements of various codes as well as documents. The Burn Road raid was executed more or less simultaneously and 27 boxes of the same items were seized from that location together with 67 empty boxes. At Funan Centre, the chief executive officer of Challenger, Loo Leong Thye (Loo) who was present, protested that the labels were genuine Avery labels. He attempted to locate documentary proof of this. However, when Loo (PW1) produced two export packing lists, the raiding party was of the opinion that this was (in the words of Liew in his affidavit of evidence-in-chief), `not sufficient to prove that their suspected goods were genuine.`

16 Two days after the raids, on 19 May 1993, the ***Business Times*** carried an article headlined `US software company finds fake laser labels in raid on Challenger.` Two days later on 21 May 1993, the ***Lianhe Zaobao*** published a report on the raids headlined `A Computer Sales Company is raided ... More than 10,000 pieces of paper label products are recovered.` The plaintiffs alleged that these articles were highly damaging to them.

17 Immediately after the raid, R & D wrote to Arthur Moore and Richard Randall to keep them apprised of the situation. Leong was concerned over assertions by Challenger that the labels were genuine and asked that ADC investigate if they had actually supplied the labels indirectly to Challenger and if the labels were indeed genuine. For this purpose, he enclosed samples of the

labels seized. He also enclosed the export packing list which was issued by one Columbia Computer Products Inc (Columbia) of Monterey Park, California.

18 It turned out that the suspected infringing labels were genuine Avery labels that had been purchased by Columbia, a subsidiary of Challenger, from Avery through Personal Electronic Sales (PES), which is described by Loo in his affidavit of evidence-in-chief, as Avery's manufacturer's representative. Columbia had purchased a range of Avery labels including the so-called 'Mini-line' series (see P2) which came in boxes of 500 to 1,000 labels. In addition, it had also ordered larger packages of 5,000 to 10,000 labels called the 'Tabulabel' range (see P1). It appears that Challenger had some difficulty selling the latter at the Superstore primarily because of the low demand for such big quantities by its customers. As a result, it decided to break up the packages into more marketable quantities of 500 or 1,000 labels and repack them.

19 Challenger, on legal advice, took the position that the labels were genuine and therefore no offence under s 73 of the Trademarks Act had been committed. It further took the view that the magistrate had no reasonable cause to suspect that such an offence had been committed on the face of Liew's complaint and that, therefore, the search warrants were flawed. By way of a letter dated 21 May 1993, Challenger's solicitors, Chu Chan Gan & Ooi (CCGO), wrote to R & D to demand the immediate return of the seized goods failing which it threatened to file a motion for dismissal of the complaint and to quash the search warrant.

20 Previously, on 19 May 1993 (AB96A), Richard Randall wrote to Leong concerning the investigations into sales by Avery to Columbia. The salient aspects of the letter are as follows:

... Attached are two invoices concerning sales of Avery brand products to Columbia - one in 1992 and one in 1993. Please note that there have been sales of 4030, 4060 and 4177 products.

I have also had conversations with sales, marketing and credit employees of Avery Division of Avery Dennison Corporation. These conversations, along with my conversation today with Mr Eric Ng, president of Columbia, lead me to believe that the following has transpired:

1 Avery Division, through a particular distribution channel, has sold (indirectly) products to Columbia with the knowledge that Columbia would re-sell in Singapore. Since 1992, Challenger has been selling Avery brand products in Singapore, generally in the original packaging. 2 Some of the Avery brand products were sold to Columbia in fairly large (bulk) sizes (as requested by Columbia). The sizes turned out to be too large and therefore difficult to sell in Singapore (because of the number of labels per package). 3 Challenger (in good faith, but without requesting permission from Avery Division) decided on their own initiative to repackage some of the Avery brand products, so they would be in a position to sell in the Singapore market. 4 You and our investigators, in good faith, believe that these products were not properly trademarked, and most likely, were counterfeit products based on the appearance of the Challenger packaging.

*I understand from Mr Liew and Mr Ng that there has been some publicity in the **Business Times** in Singapore to the effect that Challenger has been selling counterfeit labels. Based on the above information, I am reasonably confident that Challenger has been selling genuine Avery brand products, but without permission to repackage some of the products. Therefore, by copy of this letter to Mr Liew, I would ask him to co-ordinate with you to prepare an appropriate statement in which we correct the record in the **Business Times**, explaining the good faith misunderstanding on the part of both companies.*

You should also be aware that, because of the long and fairly complicated distribution patterns, Avery Division in the United States was not aware, and could not have been aware, that Challenger was an ultimate customer of Avery brand products.

I suggest that Mr Liew meet with Mr LT Loo, the chief executive of Challenger, so that the businessmen can clearly understand the facts and circumstances surrounding this situation. Mr Ng has made it perfectly clear to me that he, as well as Challenger, has every intention of properly representing Avery brand products, and that they did not intend to create an issue or problem with respect to the repackaging of materials. I explained

to Mr Ng that we have had difficulties in Singapore and elsewhere with `pirated software` and similar issues. Mr Ng understands that we want to present Avery brand products with `uniform` packaging and trademarks throughout the world, particularly with our laser brand products.

My telephone conversation with Mr Ng was most cordial, and he was most co-operative and sensitive to our concerns. Likewise, we need to be sensitive and concerned about their business reputation and image in Singapore. ...

21 On 22 May 1993 (AB106), R & D replied to CCGO asking that Challenger hold their hands on the matter until their clients could ascertain the authenticity of the labels. Challenger, however, was not amenable to this request and retorted that Avery should have checked the origin of the labels before taking out the search warrants. Nevertheless, Challenger did not file the criminal motion at this stage.

22 On 2 June 1993 (AB111), Arthur Moore sent a fax message to R & D in the following terms:

We have completed the analysis of the Challenger labels and determined that it is unlikely they were manufactured by a party other than Avery Dennison. Accordingly, you are authorized to release the seized goods to Challenger.

23 In the meantime, R & D had written to CCGO indicating Avery's willingness to return the labels depending on the outcome of Avery's testing of their authenticity. By 9 June 1993, the labels had still not been returned to Challenger. Criminal Motion 18 of 1993 (the motion) was therefore initiated seeking that the complaint brought by Liew be dismissed and the search warrants quashed (see AB113). On 14 June 1993, Avery returned the labels to Challenger. Notwithstanding the return of the labels, Challenger proceeded with the motion, their intention being to `set the record straight` (AB226).

24 The motion was heard by Lai Kew Chai J in June 1993 and he delivered judgment on 22 March 1994 (see **Challenger Technologies Pte Ltd v PP** [1994] 2 SLR 446) dismissing the complaint of Liew, quashing the search warrants and ordering the return of the goods and documents seized. The issue before Lai Kew Chai J was whether DTC was justified in alleging an offence under s 73 of the Trade Marks Act (Cap 332, 1992 Ed) (the Act). The learned judge examined the relevant provisions and was of the opinion that s 73B(5) creates

... a presumption, that a trade mark shall be presumed to have been falsely applied, if it was applied without the assent of the proprietor of the trade mark. In my view, this presumption can be rebutted by proof that the registered trade mark was applied to goods belonging to the proprietor - goods against which the trade mark was registered (at p 452D).

25 He was further

... persuaded that for an offence to be made out under s 73, the product to which the registered trade mark is applied must be spurious or adulterated, that is, it must not be genuine. Adopting a purposive interpretation of the section, it seeks to outlaw the application of a mark without the assent of the proprietor - an act that is calculated to deceive customers into believing that the goods were genuine, when they were not (at p 452E).

26 The learned judge held that no offence had been committed under the Act because Challenger had at every stage proved that they dealt with genuine goods.

27 **Malicious prosecution**

28 In order to succeed in an action for malicious prosecution, the plaintiff must prove: (1) that the defendant had commenced criminal proceedings against him on a criminal charge; (2) that those proceedings determined in the plaintiff's favour, if they were of such a nature as to permit of that outcome; (3) that the

defendant`s conduct was without reasonable and probable cause; and (4) that the defendant was actuated by malice (see **Zainal bin Kuning v Chan Sin Mian Michael & Anor** [1996] 3 SLR 121 at p 137).

29 In relation to the first and second elements, Mr Yim for the defendants did not take issue with the plaintiffs. He did point out however, that the proper cause of action was for maliciously procuring a search warrant and not malicious prosecution, referring to the judgment of the English Court of Appeal in **Reynolds v Commissioner of Police of the Metropolis** [1984] 3 All ER 649 . In that case, the court recognised that the malicious procuring of a search warrant without reasonable and probable cause was an actionable wrong. This tort is analogous to that of malicious prosecution. However, it dispenses with the strict requirement of the first two elements. In the context of search warrants, there is, strictly speaking, no commencement of criminal prosecution nor is there any determination in favour of the plaintiff, the application being ex parte in nature. The courts have nevertheless found defendants liable for maliciously procuring the search warrants without reasonable and probable cause whether under the torts of malicious prosecution (see **Fitzalan v Nicholson** (1896) 13 WN (NSW) 51) or malicious procurement of a search warrant (see **Reynolds** , *ibid*). In the present case, the crucial inquiry turned on the issues of reasonable and probable cause and malice and it is to these I now turn.

30 **Reasonable and probable cause**

31 We begin with the oft-cited passage from Hawkins J`s judgment in **Hicks v Faulkner** [1878] 8 QBD 167 , at p 171 where the learned judge defined `reasonable and probable cause` as

An honest belief in the guilt of the accused based upon a full conviction, founded upon reasonable grounds, of the existence of

a state of circumstances which, assuming them to be true, would reasonably lead any ordinary prudent and cautious man, placed in the position of the accuser, to the conclusion that the person charged was probably guilty of the crime imputed.

32 This passage was subsequently approved by the House of Lords in **Herniman v Smith** [1938] AC 305 (per Lord Atkin) and by our Court of Appeal in **Zainal bin Kuning v Chan Sin Mian Michael** (supra). In **Zainal**’s case, the Court of Appeal, citing the House of Lords in **Glinski v McIver** [1962] AC 726, explained that ‘(t)he degree of guilt believed by the prosecutor need not extend to a belief that the accused would be convicted but whether there is a case fit to be tried’. I agree with Mr Rada’s contention that this must be more than mere suspicion; there must be credible evidence which, assuming it is true, would lead the reasonable man to believe that the offence had been committed but this does not mean that the prosecutor must be certain that the evidence he relies on will be so accepted to be true in a court of law. This is the clear purport of the speeches in **Glinski**’s case which was incorporated into the judgment of the Court of Appeal in **Zainal**’s case. Lord Denning said that the belief of the prosecutor is not that he honestly believed that the accused was guilty,

in truth he has only to be satisfied that there is a proper case to lay before the court ... After all, he cannot judge whether the witnesses are telling the truth. He cannot know what defences the accused may set up. Guilt or innocence is for the tribunal and not for him.

33 And Lord Devlin said that to have reasonable and probable cause

*... does not mean that the prosecutor has to believe in the probability of conviction: **Dawson v Cvandasseau** [1863] 11 WR 516, at p 518. The prosecutor has not got to test the full strength of the defence; he is concerned only with the question of whether there is a case fit to be tried.*

34 To have reasonable and probable cause, therefore, (1) the prosecutor must have an honest belief that the place to be searched contains infringing

goods; (2) this belief must be based on the full conviction that a state of circumstances exists; (3) this full conviction must be based on reasonable grounds; (4) assuming the state of circumstances exist in fact, a reasonable person in the prosecutor's position would reasonably be led to the conclusion that the offence was probably committed.

35 An essential element of the offence under s 73 of the Act which was relied upon by the defendants in their application for the search warrants was, that the labels had to be counterfeit. Mr Rada's argument was that the defendants did not have reasonable and probable cause because they did not have any credible evidence that could be relied on for the assertion that the labels were counterfeit. They had merely made a visual inspection of Challenger's packaging and without attempting to ascertain the authenticity of the labels within, had reached their conclusions that an offence had been committed. It is not in dispute that the defendants did not send the labels for testing prior to the application before the magistrate for the search warrants. The question is whether notwithstanding the absence of such tests and on the basis of the visual inspection and the inferences drawn therefrom, they had reasonable and probable cause.

36 The defendants countered that they had such cause for the following reasons: (1) Avery had no dealings with the plaintiffs and yet their name was used on the packaging; (2) the repackaging made clear that Challenger was a registered trademark by ascribing '[trade]' to it whereas no such thing was done in respect of Avery; (3) the representation of the Avery mark, the description of the products and the general quality of the repackaging were inconsistent with Avery's corporate identity program and were sub-standard; (4) Avery had never experienced third parties buying their labels in bulk and repackaging them in smaller quantities; (5) Avery was unlikely to have authorised any repackaging

of their labels since it maintained strict standards for its packaging in line with its corporate identity program. Furthermore, it already produced smaller quantity packages to cater for such demand; (6) both Liew and Gray were unaware of any instance of parallel imports of Avery's products into Singapore.

37 An offence under s 73 of the Act as stated above, requires that the product within the packaging not originate from the owner of the mark. It is not made out simply because the packaging is not original or because the owner of the mark did not authorise the repackaging. Therefore, while I accept that there is some significance in the absence of authorisation from Avery or the fact that Challenger's repackaging was so obviously not of Avery origin, the defendants' reliance on factors listed as (2), (3) and (5) above, should have been tempered by the realisation that Challenger could have repackaged original Avery labels and yet not be guilty of an offence under s 73 of the Act. I am therefore of the opinion that their relevance depended on the discounting of this realisation and that is in turn dependent on an assumption whose reasonableness I now examine.

38 This assumption was the perception that there had not been parallel importing of Avery labels. The question is therefore how reasonable this perception was. A primary reason for this perception was the belief that Avery had no dealings with Challenger. On hindsight, we know that Challenger obtained the labels from Columbia, its American subsidiary. Mr Yim argued that the sales to Columbia were never brought to the mind of Liew nor the American counsel and that the overlooking of this fact should not be taken against the defendants especially since Avery was a sizeable business organisation and therefore such information gaps are understandable. I do not think the size of an organisation is a valid excuse in this context, at any rate, not against a third party like Challenger. In Richard Randall's letter dated 19 May

1993 to Leong (see para 20 above), it was acknowledged that Avery had sold their products to Columbia `with the knowledge that Columbia would re-sell in Singapore.` Whilst not dispositive of the issue, I am of the opinion that it somewhat undermines the reasonableness of the defendant`s position. Even if John Evans is to be believed in saying that he had not been told by Eric Ng (PW2) that the products would be sold by Challenger in Singapore, the fact remains that he knew that the products would find their way into the Singapore market. Therefore, even if it were true that the connection between Columbia and Challenger was not very obvious, I am of the view that Liew and Gray`s ignorance of any instance of parallel importing of Avery labels cannot be relied upon by the defendants.

39 In any event, I believed Eric Ng`s evidence that he had told John Evans (DW4) that Columbia was a sourcing company for Challenger. Central to this finding is the fact that Eric Ng was given the Avery distributor price list. Eric Ng`s testimony was that John Evans had told him that Avery was interested in finding a distributor for Avery products in Singapore. In cross-examination, Mr Yim attacked this evidence saying that at that time, Avery already had a distributor in Singapore and therefore it did not make any sense for them to court Challenger in this respect. However, apart from this suggestion by counsel, I was not provided with any further evidence to confirm this fact. In the absence of such evidence, I have to ask why a distributor price list would be provided to Eric Ng. The only reasonable inference is that Avery contemplated the possibility that he could link them up with a potential distributor in Singapore. This further leads to the inference, which I think perfectly reasonable, that John Evans must have been informed by Eric Ng that Columbia was a mere sourcing subsidiary for a large retailer in Singapore, Challenger.

40 The possibility that parallel importing had occurred, furthermore, should have been confirmed by the presence of Avery labels in their original packaging on sale at the Superstore and elsewhere. Liew said he saw these being sold at the Superstore. In his letter to Arthur Moore dated 21 April 1993, Leong highlighted this fact (see para 7 above).

41 In the light of these facts, I think that the plaintiffs have shown that the defendants should have been aware that original Avery labels had penetrated the Singapore market; they could not have reasonably dismissed this possibility. The next issue then is whether, notwithstanding this finding, Challenger's breaking down of bulk quantities of labels into smaller quantities was so unexpected such that the defendants could legitimately discount the possibility. The defence witnesses testified that they had never experienced such an occurrence of bulk-breaking and I agree that this is one factor to be taken in favour of the defence. However, it is but one factor to be weighed against all the surrounding circumstances.

42 The plaintiffs, alive to the fact that this was the weakness in the defence, pressed the point that the defendants should have tested the authenticity of the labels before embarking on the application before the magistrate. The substance of Mr Yim's case on this point was that firstly, the appearance of the Challenger repackaging was sufficient to constitute reasonable and probable cause without further action. Secondly, it was not reasonable to expect the defendants to carry out the tests in view of the imperative of expedience and the fact that testing itself would not be conclusive of the origin of the labels. On the first point, I have already attempted to show how a reasonable belief that an offence had been committed under s 73 of the Act had to take into account the possibility that original goods had been repackaged.

43 In relation to the second point, Mr Yim pointed out that the labels in question were not really a sophisticated product and could be easily replicated. Tests to determine its origin would be complicated and would involve analysis of its chemical composition, a process complicated by the fact that Avery did not manufacture the composite elements itself but procured it from third parties. This evidence was led to show that the testing process would be cumbersome and time-consuming and perhaps, ultimately futile. Against this background, Mr Yim argued that the defendants were concerned with the need to move quickly to protect their rights. He adduced evidence of a previous situation involving the LabelPro software where a failure to move quickly against suspected infringers resulted in the software pirates disappearing with the result that Avery failed to vindicate its rights.

44 Intellectual property piracy is an evil which is difficult to eradicate especially in products which are easily reproduced. The occurrence of so-called `fly-by-night operators` which pirate anything from computer software to musical recordings are endemic enough for the courts to be sensitive to the difficulties faced by the owners of intellectual property in policing their rights.

45 In the present case, it is to be noted firstly, that there was evidence from the defendants` own witnesses that the normal procedure in cases of suspected trade mark infringement was to make a trap purchase and send the product to the head office in the United States for testing. Gray testified to this effect (N/E 353); Liew said that he had purchased one of the suspected packages and had sent it to Arthur Moore to `examine and tell me if it is indeed our products` (N/E 479). Now there is some confusion as to when Liew sent this package for testing. In fact, Mr Yim disputed that he sent the packages at all. Liew initially said he sent one sample of the Challenger repackaged labels after purchasing them sometime in February or March 1993. He sent another one to Moore about two

or three weeks later when Moore said he had not received the first package. After he sent the second package, Moore informed him that he had found the first package. The following is an extract from Liew's cross-examination (N/E 481C):

Mr Rada: You sent the packaging and the labels asking for confirmation whether they were Avery products itself, so to that particular query, what was Arthur Moore's response? Liew: Arthur Moore told me it has to go for some kind of test to find out ... so I assumed that, you know, it's some kind of laboratory test ... maybe to test on the paper or the glue, I'm not certain.

46 Liew testified, however, that he did not receive the test results prior to the raid. He was nevertheless very sure that he did send to Arthur Moore two packages before the raid for confirmation that they were Avery products. The third package was sent, as stated in his affidavit, after the raid and upon Challenger threatening to sue Avery. Liew said that even though the packaging was so obviously different from the original, he still sent the samples for testing (N/E 486). Later on in re-examination, Liew agreed that the first time he discovered Challenger's repackaged labels was in April 1993 (as stated in his affidavit) and therefore he could not have sent the two packages at issue to Moore in February or March (N/E 675). The state of the evidence at this point was such that there was a 'window period' between Liew's discovery of the labels around 20 April 1993 and 17 May 1993 when the raid was carried out. Contrary to the defendant's case as found in their affidavits of evidence-in-chief, Liew's testimony was clearly that two samples of the repackaging had been sent to Avery headquarters for testing before the raids. Mr Yim's case was that no such package was sent until after the raid. He asked Liew if he had any courier receipts to show that he had sent a package earlier than this but Liew said he could not produce them at the time. He explained that it was probably a 'lack of administration on our part in our Singapore office that we did not

enclose a covering note` (N/E 690). Although Liew got the exact dates muddled up and although Arthur Moore`s evidence was that he had not received any package during the window period, I was convinced that Liew sent the labels prior to the raid which for some reason or other never got tested. In spite of Mr Yim`s endeavours to get him to correct his testimony, Liew remained firm that he had done so.

47 From this evidence I make the following observations: even if Liew had not sent the packages prior to the raid, he was convinced that this was the procedure. I do not think Liew`s perceived need to send the labels for testing was merely imagined but stemmed from his understanding of his company`s procedures when it came to such matters. I am further of the opinion that the need for testing is not only a prudent step but one which should be reasonably expected of the defendants in the circumstances. In view of the reasonable possibility, which turned out to be true, that Challenger procured genuine Avery labels and repackaged them, the assertion that the appearance of the packaging constitutes sufficient cause must fail. In my opinion, some attempt should have been made to ascertain the authenticity of the labels.

48 I was not convinced by the excuse that the testing process would have been time-consuming or a potentially futile exercise. Firstly, with nothing more than the appearance of the repackaging and the fact that Avery had never experienced such occurrences previously, how could there be sufficient cause? Secondly, Avery had never previously conducted such tests in relation to their label products (N/E 410). And yet Richard Randall would have us believe that it is `frequently very, very difficult to determine with absolute certainty` if the label is genuinely of Avery origin. `Frequent` in relation to what? While it is true that Randall explains the factors he relied on to explain why the testing

process is complex and not capable of certainty, at best, his was but an educated guess.

49 In contrast, we have evidence that when the labels were ultimately sent for testing, the actual process took `several days but less than a week` (N/E 996). This was confirmed by the evidence - on 27 May 1993, Avery Headquarters wrote to R & D saying that they had not received the samples sent by R & D. Presumably, a new set of samples was dispatched immediately. Arthur Moore`s testimony was that the samples were sent to one TT Chen of Avery Corporation who co-ordinated the analysis of the labels. On the 2 June 1993, Moore faxed the test results to Singapore. That gave Chen about five days to conduct his tests without accounting for the time needed to send the packages to him and back. The actual testing would have been done within a shorter time.

50 Furthermore, Randall said the testing process was time-consuming because it required the sending of the suspected labels to their laboratories in the United States which would take a few days and then to undergo tests which would take another few days. The defendants assert that they had to move fast because `suspects would quickly cover their ground or cease their suspected activities if they knew we were going to take action against them.` And yet it is incontrovertible that, assuming Liew discovered the labels on 20 April 1993, it was almost a month later when he swore the complaint and applied for the search warrants. I accept Mr Yim`s contention that the court should be slow to impugn conduct which, with the benefit of hindsight, has become questionable. However, I am of the view that in the circumstances, the explanations by the defendants as to why they did not test the labels prior to applying for the search warrants were wholly inadequate.

51 As I have pointed out, the crux of the matter is whether there was reasonable cause to believe that the contents of the admittedly non-authentic Challenger repackaging were counterfeit labels. The foregoing has shown that there was no reasonable cause. In any event, it seemed to me that even if there was objective cause for such a belief, none of the dramatis personae on the defendants' side ever subjectively possessed such a belief. I formed the impression that there was a chain of assumptions that another person had considered the matter without anyone actually having done so. This can be seen from Liew's cross-examination (N/E 526-527):

Mr Rada: So are you saying that up to the point when you went to pray for the search warrant, and called the press to generate publicity about the raid, you were sure it was a counterfeit product that Challenger was dealing in? Liew: I won't say I was sure of the counterfeit products, but by virtue of the fact that my head office has contacted Mr Gilbert Leong to give him the green light to go ahead with the application of search warrant, I had the impression that, you know, they have already done what they need to do. Mr Rada: So, if any consequences happened, you don't have to answer for it? Liew: Well, it's not my duty to go and check the properties or the contents of the label because I won't know how to do it. So my duty is to make sure that I send these samples to them, for them to check it out because they have a manufacturing facility there and if they come back and they say that we can go ahead, I would have thought they must have done their homework.

52 In fact, Liew testified that he left the entire decision-making process to Leong and Avery headquarters (N/E 594-595):

Mr Rada: ... did Gilbert [Leong] ever confirm, you know, before the raid as to whether the labels were genuine or counterfeit? Liew: It's my opinion there, the fact that the head office gave him the instruction to go ahead with the raid amounts to confirmation that, you know, 'It is something which is not ours'.

53 Richard Randall testified that he was not advised in March 1993 that for an offence under s 73 of the Act to be made out, the labels themselves had to be counterfeit. Moore testified to the same effect. Moore further said under cross-examination (N/E 960):

We never had a specific discussion with Rodyk & Davidson of whether Avery had to prove the labels were counterfeit, but it could be inferred from the correspondence that the conclusion had been drawn that they were not our labels.

Mr Rada: Who drew that conclusion, Mr Moore, that the labels were counterfeit? Moore: It appears to me that it was primarily Mr Liew, together with whoever he may have consulted, but it was not based on consultation with us.

54 Later on, in re-examination, in response to Mr Yim's question whether he had any doubt as to the authenticity of the labels when action was being planned against Challenger, Moore said that he had none and 'accepted the conclusion that had been drawn in Singapore that the product was not genuine' (N/E 1022).

55 The third party concerned is Leong (DW7), who was at the material time the Singapore intellectual property counsel for Avery. He testified that his firm's practice was to let the client confirm that the product in question was counterfeit. I refer to the following extract from his cross-examination (N/E 789):

Mr Rada: So didn't that put you on notice that you needed to do something more to ascertain that the labels in P3, you know, had to be confirmed that they were not Avery labels? Leong: I mentioned earlier that we take our clients' confirmation as to the nature of the products and that we are not in the position to verify the same. The visual inspection which I carried out was essentially for my benefit and that I took my client's instruction that they were not the same.

56 So the picture that emerges is that when he was asked to swear the complaint, Liew thought his headquarters in the United States had ascertained that the labels were counterfeit which was why they gave the go-ahead to Leong by their letter dated 23 April 1993. In turn, Moore and Randall in the United States simply accepted Liew's and Leong's confirmation that an offence had been made out. Leong himself was under the impression that the labels were counterfeit based on what Liew had told him. In my view, the law requires the defendant to have reasonable and probable cause and this not only means that such cause objectively exists but that it was subjectively held by him; I think the plaintiffs have shown that this was not so in the present case.

57 Mr Yim submitted that the real issue was whether Liew, as employee of the defendants and complainant, had no reasonable and probable cause. He implied that Liew's actions should be viewed separately from those of ADC, R & D and the private investigators. As long as a reasonable layman in his position would have acted as he did, that was reasonable and probable cause. In my opinion, that suggestion was unmeritorious. The defendants have conducted their case without distinguishing between their local and American offices. Although the defendants are the local subsidiary of ADC and therefore legally distinct, it was quite clear that at all relevant times, ADC and DTC acted as one organ with Moore and Randall taking a hands-on approach to the Challenger case.

58 The defendants raised another interesting point which in my view pertains to the issue of reasonable and probable cause. That argument is premised on the provisions of the Criminal Procedure Code. The application for a search warrant was made under s 62 thereof which empowers the magistrate to issue a search warrant if

... upon information and after such inquiry as it thinks necessary has reason to believe that any place is used -

(a) for the deposit or sale ... of goods in respect of which an offence has been committed under sections 70, 71, 72, 73, and 74 of the Trade Marks Act.

59 Mr Yim`s argument, if I understood him correctly, was that the section casts a burden on the magistrate to make due inquiries. By allowing the application, the magistrate has satisfied himself that there are reasonable grounds for believing that the offence has been committed. The person laying the information before the magistrate is only required to place before the court information that is inherently credible. If he does that, the interposition of the magistrate`s actions is an answer to a claim for malicious prosecution.

60 In support of this position, Mr Yim cited several old English cases. In **Leigh v Webb** [1800] 3 Esp 165 , the plaintiff brought a claim for malicious prosecution against the defendant who, having the suspicion that the plaintiff had stolen his property, had procured the latter`s imprisonment without probable cause. Lord Eldon ordered that the plaintiff be nonsuited and said (at pp 166-167):

The defendant having lost his property, states the facts to the magistrate upon which he is to form his judgment. If the highest criminal judge of the land was, by mistake of judgment, to conceive that to be felony which did not amount to that offence, and to commit the party complained against, would that subject the party complaining to an action of this sort? I am of opinion it ought not, and that the plaintiff must be nonsuited.

61 The next case relied upon by Mr Yim is **Hope v Evered** [1886] 17 QBD 338 , a decision of Lord Coleridge CJ. The case concerned the issue of a search warrant under the Criminal Law Amendment Act 1885 which provided:if it appears to any justice of the peace, on information made before him on oath by any parent, relative, or guardian of any woman or girl, by any other person who,

in the opinion of the justice is bona fide acting in the interest of any woman or girl, that there is reasonable cause to suspect that such woman or girl is unlawfully detained for immoral purposes by any person in any place within the jurisdiction of such justice, such justice may issue a warrant authorizing any person named therein to search for ... such woman or girl.

62 The learned Chief Justice said:

The Act of Parliament therefore casts on the magistrate (and if legislation of this nature is to be effective, most properly so) the onus of its being made to appear to him that there is reasonable cause that the girl is being detained for immoral purposes. If the person who puts the magistrate in action only states the grounds of his suspicion and says that on those grounds he reasonably suspects that the girl is improperly detained, and if the magistrate agrees with him and thinks that it has been made to appear to him that a person acting bona fide has reasonable cause for his suspicion, then that decision of the magistrate is an answer to such an action as the present.

63 The magistrate's action was therefore, in Coleridge CJ's view, a complete answer to a claim for malicious prosecution save for the following exception (at p 340):

*I do not, however, suggest for an instant that this action would not lie against a person who, desiring to use the powers given by this Act for purposes of oppression, and knowing that he had no reasonable cause for suspicion, in a false and fraudulent manner obtained the issue of a search warrant; **but where bona fides is present, and the matter is stated fully and fairly to the magistrate** and he concludes that there is reasonable ground for the applicant's suspicion, then his conclusion is an answer to any proceedings. [Emphasis added.]*

64 In **Lea v Charrington** [1889] 23 QBD 45, the Queen's Bench Division followed **Hope v Evered** in a case involving the same statute. However, it is to be noted that the Court of Appeal upheld the Queen's Bench Division on the facts but declined to express an opinion on the correctness of **Hope**'s case.

65 Coleridge CJ's judgment in ***Hope v Evered*** is not without its difficulties. The exception to the defence he upheld suggests that there are two conditions that need to be satisfied in order that a defendant can rely on the magistrate's action. Firstly, his initiation of proceedings must be bona fide. Secondly, all relevant information must be before the magistrate. The distinction between a lack of bona fides as used by his lordship and malice is, in my opinion, difficult to apply and probably best discarded. That being the case, all Lord Coleridge would then be saying is that you cannot succeed in a claim for malicious prosecution without showing malice which, with respect, is tautologous. To be fair, in England, the question of reasonable and probable cause is for the judge. If there is a want of such cause, the matter of malice then goes to the jury. Lord Coleridge was pronouncing on the question of reasonable and probable cause and his remarks can be arguably confined to that issue. Nevertheless, I think the decision in ***Hope v Evered***, insofar as it purports to say what Mr Yim says it does, is inherently contradictory and difficult to defend in principle.

66 For present purposes, however, let us assume that the case stands for the proposition that the magistrate's interposition is a good defence in a claim for malicious prosecution in that the plaintiff cannot then show a want of reasonable and probable cause. In effect, this would render the tort of maliciously procuring a search warrant otiose when cases decided as recently as 1984 have recognised its existence (see ***Reynolds***' case, *supra*). Plainly, the cases recognising the tort are inconsistent in principle with ***Hope v Evered***. Furthermore, it will deprive the plaintiff of a remedy even if there has been a want of reasonable and probable cause and malice, that is, if the requirement of malice does not equate with Lord Coleridge's first condition. In my view, the interposition of the magistrate's act of issuing the search warrant does not absolve the defendant

from requiring reasonable and probable cause on his own part. Insofar as the authorities cited state the opposite, I am of the opinion they go too far.

67 In my view, the magistrate's action can be a factor to be taken into account to support the defendants' action in the sense that on the facts, he concluded that an offence had been made out. However, this would depend on whether the magistrate has before him all the relevant information as the defendants. The onus is on the complainant to produce such information. I think commonsense and the authorities support that position. Lord Eldon noted that the defendant in *Leigh v Webb* had stated the facts to the magistrate. Lord Coleridge in *Hope v Evered*, as noted above, similarly envisaged that the magistrate's act would be an answer to the claim for malicious prosecution only where the complainant puts the facts before the magistrate and the latter's action is premised on those grounds. It is plain that on the present facts, all the relevant facts were not before the magistrate. In particular, the following statement ostensibly suggested that the labels were conclusively counterfeit:

Upon examining the box of computer labels, I confirmed that it was not an original product manufactured by my parent company or its branches or with its consent or license.

68 This was plainly not the case and whether out of inadvertence or out of malice (a matter I will consider shortly), the complaint did not disclose all the information that would be relevant for the magistrate's consideration.

69 **Malice**

70 We turn next to the issue of malice which is a common element in the claims of malicious prosecution and malicious falsehood. The prosecution must prove that the defendants were motivated by spite, ill-will or some improper or indirect motives. The prosecutor must be shown to have embarked on the

prosecution with the aim of securing some end other than to bring the plaintiff to justice for committing the specified offence.

71 Mr Rada argued that the defendants wanted publicity for their products and wanted to send a message to the other infringers in the marketplace. A related motive was to ensure that there were no obstacles in the way of the official launch of Avery products in Singapore. Liew agreed with Mr Rada under cross examination that one of the reasons for having reporters cover the raids was because there would be favourable publicity for Avery products. Concerning the deterrence motive, I accept the thrust of Liew's evidence that such publicity would tell the public that Avery was serious about protecting its intellectual property rights. It would have a deterrent effect on retailers dealing in infringing products thus protecting the reputation of the company and its products and ensuring that sales would not be affected when the products were officially launched (N/E 528). I am unable to agree with Mr Rada, however, that these were improper motives. Section 73 of the Act exists to protect intellectual property rights. In my view, the defendants' hope that their action deter other infringers was consistent with the desire to protect these rights.

72 As for the contention that the defendants wanted the raids to give positive publicity for their range of products, I was sceptical whether the publicity so garnered would be more than minimal. Furthermore, the plaintiffs relied on a letter by Arthur Moore to Frank Rexach of the Office Products Group at Avery Dennison which discussed the legal action planned in relation to the LabelPro infringements where Moore had written:

An underlying business strategy could be to co-ordinate the bringing of the action(s) with Avery Dennison's launch of LabelPro in Singapore. The legal action might provide favorable publicity to support the launch.

73 I do not think that this consideration played more than an ancillary role in the decision to take action against Challenger. It is mentioned once in a letter relating to the LabelPro software about one month before Liew's discovery of the repackaged Avery labels. Liew's testimony was that while this was one reason why the defendants took action against Challenger, the more important reason was to protect its intellectual property rights (N/E 529). Also, there was no evidence that news of the raid was co-ordinated with the launch in any systematic fashion which would suggest a preconceived plan to exploit the raid's publicity potential.

74 Mr Rada also contended that the defendants were motivated by the cost factor. They were not willing to bear the costs of admittedly more expensive civil litigation and therefore went for the cheaper option. Mr Rada pointed to various letters in which this concern was highlighted by the various personalities in the Avery set up. I accept that this concern played a part in the decision to go ahead with the application for the search warrants. However, I do not think that this necessarily leads to a finding of malice. If the defendants genuinely believed that there was a case against Challenger, they were entitled to choose the avenue of action that best suited their interests without their action being considered malicious.

75 Mr Rada's next point was that the complaint Liew swore before the magistrate deliberately omitted information which if disclosed, may have resulted in the magistrate refusing the warrant or asking for confirmatory evidence. Suppression of information, he submitted, is tantamount to malice. I accept Mr Rada's proposition as a matter of principle but I am unable to agree with him that Liew deliberately suppressed information in his complaint. Mr Rada himself points out that the complaint was drafted by private investigators. I think that if Liew believed that there was a good case against Challenger and

placed the process in the hands of the professionals Avery engaged, how the complaint was drafted is not evidence of malice.

76 The nub of the matter, it seems to me is, whether the defendants had a genuine belief that there was a bona fide case against the plaintiffs based on s 73 of the Act and were primarily motivated by a desire to vindicate their proprietary rights. The absence of reasonable and probable cause does not lead inexorably to a finding that there was malice. In the present case, while the defendants' belief that the labels were counterfeit were based on objectively unjustifiable grounds, that does not mean that they did not subjectively honestly believe in there being a case against the plaintiffs. In **Brown v Hawkes** [1891] 2 QB 718, the defendant had reported the plaintiff for some boots the latter had taken from him without payment. The plaintiff was subsequently arrested and brought before the magistrates and discharged. He sued the defendant for damages for malicious prosecution. The county court found for the plaintiff. On appeal to the High Court (Cave and AL Smith JJ), the court was divided with the result that the appeal was dismissed. On appeal, the Court of Appeal (Lord Escher MR and Bowen LJ) unanimously allowed the appeal. Cave J, who would have allowed the appeal from the county court and whom the Court of Appeal agreed with, held that since the jury had found that the defendant had a honest belief in the charge he laid before the magistrates, there was no basis upon which they could have made the other finding that the defendant was actuated by malice. This was even where there was a want of reasonable and probable cause in laying the charge. Cave J held (at p 723):

Of course, there may be such plain want of reasonable and probable cause that the jury may come to the conclusion that the prosecutor could not honestly have believed in the charge he made, and in that case want of reasonable and probable cause is evidence of malice. But I am not prepared to assent to the proposition that, where there is want of reasonable and probable

cause, the jury may always find malice, no matter what the circumstances may be.

77 In my view, I am more than satisfied that the defendants had an honest belief that there was a case against Challenger notwithstanding the lack of reasonable and probable cause. Mr Yim argued that the Challenger's retail business was complementary to the defendants' manufacturing and distribution business. He argued that the defendants had no reason to injure the interests of Challenger except in the course of legitimately defending their rights; I tend to agree. There is no evidence that Challenger was specifically targeted by the defendants nor is there any evidence why it should have been so targeted. Furthermore, while I have found a lack of reasonable and probable cause in the application for the search warrants, that can be attributed to the internal and, in my view, negligent mishandling of the situation by the defendants' personnel and not to any malicious intent.

78 One troubling aspect of the case was the fact that when the parties appeared before Lai Kew Chai J for the hearing of the motion to quash the search warrants, the defendants did not disclose AB96A in which Richard Randall acknowledged that Avery had sold the labels indirectly to Challenger and that the repackaged labels were most likely to be genuine. Mr Rada argued that had this document been disclosed to Lai Kew Chai J, the proceedings could have terminated at a much earlier stage. He argued that this non-disclosure was evidence of malice. Leong, under cross-examination, could not really explain why he had not included AB96A in the documents presented before Lai Kew Chai J.

79 I am of the opinion that Leong should have disclosed AB96A at the hearing of the motion; his omission to do so is inexcusable. Nevertheless, the question still remains whether that failure can support a finding of malice. It is

to be noted that the relevance of the document in the circumstances was the acknowledgement that the labels were likely to be genuine. Examining the affidavit evidence before Lai Kew Chai J, it was unarguable that the defendants took the position that the labels were genuine. In Liew's affidavit dated 3 August 1993, he said (at para 9),

... samples of the seized goods were sent to Avery's offices in the United States to ascertain the veracity of the claims made by Challenger [that the labels were genuine]. The seized goods have since been returned to Challenger (AB242-6).

80 In fact, the defendants in the course of the proceedings before Lai Kew Chai J had taken the position that Challenger had falsely applied a registered trade mark to the labels, an offence under s 73 of the Act. Some background is perhaps called for. Section 73 sets out two types of offences, namely dealings in goods to which a counterfeit trade mark is applied and dealings in goods to which a registered trade mark is falsely applied. An essential ingredient of the former offence is that the goods themselves must be counterfeit (see **Ng Chye Mong v PP** [1988] 2 MLJ 150 ; [1988] SLR 299) and this was accepted by counsel at the hearing of the motion. The defendants defended the motion, inter alia, on the basis that they had grounds to believe that the latter offence had been committed. This in turn raised the question whether the labels had to be counterfeit which the defendants contended was not a requirement. In effect, the defendants took the position that the labels were genuine and the only issue was the interpretation of the legislation enacting the offence. Lai Kew Chai J's written grounds of judgment was in effect a pronouncement on this controversy. I am therefore unable to place too much emphasis on the non-disclosure of AB96A insofar as it supports the plaintiff's claim that there was malice.

81 **Malicious falsehood**

82 We move then to the plaintiffs' next claim. In order to succeed, the plaintiffs must show that the defendants maliciously published words about Challenger that were false and special damage has followed as a direct and natural result of the publication (see **Kaye v Robertson** [1991] FSR 62 per Glidewell LJ at p 67).

83 The specific instances of malicious falsehood that the plaintiffs rely on are the words of Liew in the complaint sworn before the magistrate as well as certain portions of the two newspaper articles that followed the raid which the plaintiffs allege originated from the defendants.

84 Concerning the newspaper articles, Mr Rada's case was that the falsehood was what Liew had told the reporters and not the articles per se which were only evidence of the falsehoods told. He said that the articles show that Liew had impressed on the reporters that the labels were fake either by using that word or words to that effect. As regards the first element of the tort which is that falsehoods in the newspaper articles originated from the defendants, I am of the opinion that it has not been established that the falsehoods originated from the defendants. Both articles contained sloppy inaccuracies which could not have been faithful reproductions of what the reporter had been told. Teo from the **Lianhe Zaobao** reported the turnover of the Avery Group as \$60 million when it was closer to \$2 billion, a fact which I do not think Liew would have got wrong. Leo from the **Business Times** said in evidence that he was told the turnover was \$27 million. Two hundred and twenty nine boxes of labels containing about 500 labels each were seized from Challenger. Leo's report says that three hundred labels were seized. While I am aware that these are details which have no direct bearing on the real issue which is whether the reporters were told in unqualified terms that Challenger was dealing in fakes, I think they do not reflect well on the standard of accuracy in the two reports.

85 What has a direct bearing is the fact that the two reporters could not confirm that Liew had used the term `fake`. Liew`s evidence was that he would not have used that word or words similar in meaning unqualified. He stressed that he would not have said something definite if he was not sure about it (N/E 550). I think that this is borne out from the evidence given by the two reporters. Leo testified that in writing the article, he relied on the contemporaneous notes he took down in his conversations with Liew during and after the raid. These notes were subsequently admitted in evidence (see P5). It was quite clear that in these notes, the word `fake` did not appear at all. Indeed, in the notes, there is no reference to counterfeiting at all. I think if Liew had used words to this effect, Leo would have written them down. Leo himself admitted as much (N/E 226). As for Teo, the main text of his article in Mandarin did not contain any statements that the plaintiffs could take issue with. The caption under the photo accompanying the article read however

On the shelves of a software shop in Funan Centre are displayed genuine Avery Dennison`s products on one side (with colour) and **fake** products with Avery Dennison`s trademark on the other (only blue and white colours). [Emphasis added.]

86 Teo further confirmed that Liew `might not have used the word "fake"` (N/E 262). He was however of the impression that this was a case of piracy although he admitted that this was his own description of the case. I also think it telling that he said that he was not able to recall Liew using any `conclusive` words like `piracy` or `pirated`.

87 The burden of proof is on the plaintiffs. The tort of malicious falsehood is predicated on there having been a falsehood published. It is true that the falsehood need not be in writing but can be oral. However, it must be shown that there has been such a falsehood orally made. In view of the evidence before

me, I find that there is insufficient evidence to make the finding the plaintiffs contended.

88 With regards to the complaint, the only statement which I accept is inaccurate is that in which Liew says that he examined the box of labels and confirmed that it was not an original product and the last line of the complaint where he describes the labels as `counterfeit "Avery" products`. The other instances of alleged falsehood which the plaintiffs cite are, in my opinion, qualified by the words `believed to be` and `reasonable cause to suspect`. Mr Yim argues that the complaint must be looked at in its entirety and that would show that the portions complained of were drafted carelessly and not a deliberate attempt to cause harm to the plaintiffs; I accept this submission.

89 At any rate, I do not think there was malice in the making of any of the statements. Mr Rada took the position that this was made out on the same grounds as he relied on in relation to malicious prosecution. I find that there was no malice for the same reasons I gave in relation to that head of damage.

90 **Trespass**

91 The plaintiffs claim damages for trespass to their property as well as to their goods. The gist of their argument is, that the search warrants under which the raiding party entered Challenger`s premises and seized the suspected infringing goods were subsequently quashed by the order of Lai Kew Chai J. A quashed search warrant is void ab initio. It is as if the warrant had never been issued. The defendants therefore did not have any lawful authority to conduct the search or seize the goods.

92 Counsel for the defendants argued that the plaintiffs were relying on the doctrine of 'relation back' ie that an act initially lawful is rendered unlawful ab initio if a higher authority reverses the act. They argued that this archaic doctrine was no longer good law and relied on Lord Denning MR's judgment in **Wiltshire v Barret** [1966] 1 QB 612 . In my opinion, this argument was misconceived. The plaintiffs' argument, in my view, was that the search warrants themselves were unlawful in view of Lai Kew Chai J's decision. There was no question of it being initially lawful and then rendered unlawful by some subsequent event as in **Chic Fashions v Jones** [1968] 2 QB 299 and **Wiltshire v Barret** .

93 I looked at other authorities which considered claims in false imprisonment and trespass in respect of arrest warrants and other court orders which purport to entitle the applicant to enter premises or distrain goods. In **Codrington v Lloyd** (1839) 8 Ad & El 459, the defendant was retained by F whom the plaintiff was indebted to recover the debt. The defendant obtained a writ against the plaintiff which directed the Sheriff to arrest the plaintiff. The Sheriff executed the writ and the plaintiff was subsequently arrested and imprisoned. The writ was subsequently set aside for irregularity. The plaintiff brought an action for trespass and false imprisonment against F's attorney, the defendant. The court gave judgment for the plaintiff and held that the setting aside of the writ was as if it never existed and the defendant or his principal could not therefore justify their actions under it. In a similar case, **Parsons v Lloyd** [1772] 3 Wils KB 341 , Lord Chief Justice de Grey held (at p 345):

There is a great difference between erroneous process, and irregular (that is to say void) process, the first stands valid and good until it be reversed, the latter is an absolute nullity from the beginning; the party may justify under the first until it be reversed; but he cannot justify under the latter, because it was his own fault that it was irregular and void at first.

94 In **Williams v George Smith** [1863] 14 CBNS 596, an order was made by the Master of the Rolls requiring the plaintiff Smith, who was the former solicitor of one Ann Casse, to hand over to the newly appointed solicitor, all papers and documents in his possession, custody or power relating to certain suits. Certain documents were however being held by the law stationer, who had a lien over them in respect of his unpaid copying bill and the plaintiff himself claimed a lien over unpaid fees. He therefore did not comply with the order. The newly appointed solicitor swore an affidavit applying for an order of attachment alleging non-compliance with the order but failed to mention the excuse of the plaintiff. The plaintiff was subsequently detained under the order of detachment issued by the Master of the Rolls. An application to set aside the order of attachment was dismissed by the Master of the Rolls but on appeal, this order was reversed by the Lords Justices who ordered that the writ be set aside and the plaintiff discharged from custody. The plaintiff thereafter brought an action in tort for damages. His argument was that the order of attachment was set aside by a higher court and therefore, it was as if it never existed. The defendants could therefore not justify under it. The court (Erle CJ, Williams, Willes and Byles JJ) dismissed the claim. Erle CJ held that there was a distinction between proceedings being set aside for irregularity and the reversal of an erroneous decision by a higher court. He said (at p 621):

Now, it is agreed upon all hands that, if the proceedings had been set aside for irregularity, for the violation of any rule of practice, Smith would have been liable, and that, if the attorney be liable, as a general rule, the party employing him would be liable also. But here the affidavit was such as the clerk was bound to accept. There was nothing on the face of the proceeding to make it irregular.

... Upon appeal, the Lords Justices were of opinion that the Master of the Rolls came to an erroneous conclusion, and they reversed his decision. They thought that if, in consequence of the failure of the client to make advances which she had undertaken to make, the papers became charged with a lien, it is a strong thing to say that the attorney was guilty of contempt for not

*delivering up papers which were placed beyond his control through no fault of his own. That is a totally different thing from setting aside the attachment for irregularity in the proceedings. ... In **Cooper v Lewis** 2 Phillips 178, it was held by Lord Cottenham that, if a petition for an ex parte order suppresses any fact which, whether really material or not, would, if communicated to the officer whose duty it is to draw up the order, prevent him from doing so without mentioning the matter to the court, the order will be discharged for irregularity. There, the party obtained the court by suppressing a fact which it was his duty to mention; and the court held that the order had been obtained irregularly, by reason of that concealment. It is immaterial whether it be called an irregularity or anything else. But there is this distinction between that case and the present, viz. That there the fact suppressed was a material fact, and the order would not have been granted if it had been communicated to the officer.*

95 In the same case, Williams J, concurring with Erle CJ, held (at p 622):

If the attachment in this case had been set aside on the ground of irregularity or that it was issued in bad faith, or in any other way equivalent to irregularity, I should have thought that both the attorney and the client would be liable for any imprisonment which took place under it. But, upon the facts which appeared at the trial, it is not true that the attachment was set aside for irregularity or on the ground that it was issued in bad faith.

96 Willes J held (at p 623):

It by no means follows that because a writ or an attachment is set aside, an action for false imprisonment lies against those who procured it to be issued. If that were so, this absurd consequence would follow, that every person concerned in enforcing the execution of a judgment would be held responsible for its correctness. Where an execution is set aside on the ground of an erroneous judgment, the plaintiff or his attorney is no more liable to an action than the sheriff who executes the process is. ... I entirely agree with what has been laid down by my Lord and my Brother Williams that, in order to entitle the party against whom the process issues to maintain an action for any intermediate acts done under it, he must shew that the process has been set aside by reason of some misconduct, or at least some irregularity, on the part the person suing it out. It has been contended here, that the attachment was set aside for misconduct or irregularity - that Smith was guilty of a fraudulent suppression of facts in the affidavit upon which he procured the attachment to be issued, and that it was upon that ground that

the Lords Justices ordered it to be set aside. That is simply contrary to the fact.

97 In my view, underlying the authorities is a tension between two competing interests. On the one hand, there are the interests of the plaintiffs, who have been dragged through court proceedings unnecessarily. Some sympathy for them is natural. On the other hand, there is the equally weighty consideration that the law should not discourage recourse to the law to protect legitimate legal rights. I think this is supported by two local authorities relating to the law of distress. In **Chop Chye Hin Chong v Ng Yeok Seng** [1934] MLJ 265, an action was brought in which the plaintiff claimed damages against the defendant for wrongful seizure of goods under a writ of distress which had been set aside on the ground that it was in respect of two months' arrears when this was untrue and only one month's arrears was due. The district judge gave judgment for the plaintiff despite holding that there was no malice on the defendant's part. On appeal, Shaw CJ, allowing the appeal, held (at p 266):

*It is a well established principle both with regard to civil and criminal matters that a person is not liable in damages for putting the law in motion unless he is actuated by malice. It is the right of everyone to put the law in motion if he does so with the honest intention of protecting his interests but it is an abuse of that right if he proceeds maliciously and without reasonable and probable cause for anticipating success. An example of this will be found in the difference that exists between an action for wrongful arrest and one for malicious prosecution in the case of the first, where a man acts on his own initiative, proof of malice is not necessary to give a right to recompense by damages. In the case of the second, where the interposition of the court is obtained, malice must be established. An example may again be found in the form of an action for abuse of ordinary civil process. Malice and absence of reasonable and probable cause must again be proved in the same manner as in an action for malicious prosecution (**Mitchell v Jenkins** 5 B & Ad 588). The case of wrongfully obtaining the issue of a writ of extent in England is perhaps as closely analogous to wrongfully obtaining the issue of a distress warrant under our law as can possibly be obtained. Authority to issue such a writ, which is a special remedy for the recovery of Crown debts, is obtained on application to the court on affidavit*

*very similar to the application for a distress warrant under our Civil Procedure Code. Although damages may be obtained for maliciously issuing such writ, (see **Craig v Hasell** 4 QB 481) damages cannot be recovered for the mere wrongful issue of the writ without malice (see **Pridgeon v Mellor** 28 TLR 261), the reason being, as stated in the latter case, that there is a judicial determination interposed between filing of the affidavit on which the writ is issued and the issue of the writ, and the issue of the writ is in consequence of that interposition and therefore persons acting without malice are protected.*

*An example of the same principle will be found amongst the decision of the courts of this colony in the case of **Surinam v Letchimee** 11 SSLR 87 where it was held that damages cannot be recovered for unlawfully seizing goods in execution after an order of the court interpleader summons.*

The district judge having found that there was no malice in the present case, the defendant was entitled to have the plaintiff's claim dismissed.

98 In **Ginsin Holdings Pte Ltd v Tan Mui Khoon t/a Chan Eng Soon Service & Anor** [1997] 1 SLR 553, Judith Prakash J followed the reasoning in **Chop Chye Hin Chong** and dismissed a claim for damages for trespass in respect of a illegal distress because the plaintiffs had not shown malice.

99 The facts of those cases admittedly do not concern search warrants. However, I think the general principle identified by Shaw CJ is applicable to the present case. Following the tenor of the authorities cited above, it seems to me that the plaintiffs in the present case can only succeed in trespass if they can show that the search warrant was on its face irregular or if the defendants had obtained that warrant through some misconduct such as malice or fraud. When one examines Lai Kew Chai J's judgment, it seems to me quite clear that he based his decision to quash the warrants not on any irregularity or misconduct in the proceedings which led to the learned magistrate issuing the search warrant. In my view, he was determining the issue on the basis of the facts before him at that point of time. At p 453H, he says:

The applicants in this case, though having failed to obtain the assent of Avery Dennison Corporation, have at every stage proved that they dealt with genuine goods (see paras 10-13 of the first affidavit of Mr Loo). I would hold that no offence has been committed under s 73 of the Act and accordingly, the complaint is dismissed and the search warrant is quashed.

100 Paragraphs 10 to 13 of Loo's affidavit referred to by the learned judge related to matters which the persons applying for the search warrant and the magistrate issuing the warrant were not aware of. There was no fraudulent suppression of these facts on their part. In the circumstances, I do not think that the word 'quash' can be too rigidly applied in its administrative law sense to make the order void ab initio. In truth, what Lai Kew Chai J did was not to strike down the magistrate's order. He was merely discharging it after a consideration of all the evidence and submissions of law, some of which were not, and indeed could not reasonably be expected to be, before the learned magistrate. In my judgment, the defendants can justify their actions under the search warrants even though it was subsequently set aside by Lai Kew Chai J. The claim in trespass accordingly fails.

101 **Conclusion**

102 Consequently, I give judgment for the defendants. Before dealing with the issue of costs, I need to first refer to the costs of proceedings in the motion. Mr Yim had submitted (N/E 1174) that the plaintiffs should not be allowed to claim their costs for the motion in this suit as, they did not address the issue of costs in their arguments before Lai Kew Chai J; even if Lai Kew Chai J had reserved his decision, the plaintiffs could have gone back to court to present their arguments on costs after he had delivered his judgment. Mr Rada explained (N/E 1331) that the omission was due to no fault of the plaintiffs - the parties were not told by the registry to receive Lai Kew Chai J's judgment when it was

released. Instead, thinking it was a criminal matter, the judgment was handed to the criminal registry which did not inform the parties; the plaintiffs only came to know of Lai Kew Chai J's decision when it was published in the law reports. The plaintiffs therefore claimed as special damages, sums totalling \$20,836 (AB293-294) for the legal fees they incurred for the motion.

103 If the plaintiffs had had the opportunity to present their submissions on costs for the motion, I am certain they would have been awarded the same, bearing in mind that the hearing of the motion would have been concluded sooner and undoubtedly in the plaintiffs' favour had the learned judge been apprised of the existence of AB96A. In the light of my finding that the defendants did not have reasonable and probable cause in applying for the search warrants, as well as taking all the other circumstances of the case into consideration, I am of the opinion that responsibility for this unfortunate litigation must be largely attributed to the defendants. I therefore make no order for costs for these proceedings save that the plaintiffs shall bear the court fees and the defendants shall be allowed their full disbursements.

Lai Siu Chiu J

S Radakrishnan and Theresa O'Connor (Chu Chan Gan & Ooi) for
the plaintiffs
Jimmy Yim, Andy Leck and Kelvin Tan (Drew & Napier) for the
defendants
