Mopi Pte Ltd v Central Mercantile Corp (S) Ltd
[2005] SGHC 183

Case Number : Suit 637/2000, RA 33/2005, 38/2005

Decision Date : 30 September 2005

Tribunal/Court : High Court

Coram : Choo Han Teck J

Counsel Name(s) : Tony Yeo, Joanna Koh Wei Ser and Rozalynne Asmali (Drew and Napier LLC) for the plaintiff; G Radakrishnan (Rada and Associates) for the defendant

Parties : Mopi Pte Ltd — Central Mercantile Corp (S) Ltd

Civil Procedure – Offer to settle – Judgment less favourable than terms of offer to settle – Costs payable from date of offer to settle – Order 22A rule 9(3) Rules of Court (Cap 322, R 5, 2004 Rev Ed)

Damages – Assessment – Damages for passing off and trademark infringement – Method of calculating net profits made by infringing party – Percentage of net profits to be paid over by infringing party

Damages – Assessment – Damages for passing off and trademark infringement – Whether to award damages for loss of reputation, price reduction and loss of goodwill

30 September 2005 *Judgment reserved.*

Choo Han Teck J:

1 This was an appeal against the award of damages assessed by the assistant registrar, Ms Amy Tung. The inquiry into damages was ordered by Justice Lai Siu Chiu after a trial in which the plaintiff sued the defendant for passing off and trade mark infringements concerning five marks: see [2001] SGHC 328. The products in which the marks in question were used included glues and sealants, and different types of adhesive tapes. The five marks in issue were Hi-Bond, Kawasaki, Nikko, Senisni and Star. The defendant counterclaimed on the same marks. However, when the trial commenced, the defendant amended its Counterclaim in respect of "Hi-Bond" by withdrawing its claim in respect of glues and sealants. The defendant consented to judgment in respect of the other marks. Lai J found in favour of the defendant and held that the plaintiff was in breach of the trade mark "Hi-Bond" by its use of that mark on its adhesive tapes. The assessment of damages, therefore, was made in respect of "Hi-Bond" adhesive tapes only. It was heard over a period of about a week with four witnesses from the plaintiff and two from the defendant. The assistant registrar then made the following award:

(a) The plaintiff was to pay the defendant $275,788 in total damages.

(b) The plaintiff was to pay interest on $37,261.00 at 6% per annum from 14 February 2001 to the date of payment.

(c) The plaintiff was to pay interest on $238,527 at 6% per annum from 31 October 2001 to the date of payment.

(d) Costs of the assessment were awarded to the defendant on a standard basis up to 6 August 2004 to be agreed or taxed.

(e) Costs of assessment were awarded to the plaintiff on an indemnity basis from 7 August 2004 to be agreed or taxed.

2 The plaintiff appealed against the assistant registrar's orders in respect of:

(a) the sale of products bearing the "Hi-Bond" mark after April 2001;

(b) the plaintiff's sales figures for certain products;

(c) the percentage figure of the plaintiff's sales to be used for calculation of damages payable by the plaintiff to the defendant;

(d) damages which the plaintiff was to pay the defendant for sales of "Hi-Bond OPP", filament, and protective tapes; and

(e) damages payable to the defendant.

3 The defendant cross-appealed on the following:

(a) the quantum of damages awarded to the defendant;

(b) the percentage figure to be used in calculating the percentage of the plaintiff's sales of the infringing tapes;

(c) damages which the plaintiff had to pay the defendant as damages for other "Hi-Bond" tapes;

(d) damages for loss of reputation;

(e) damages due to price reduction;

(f) sale of jumbo rolls (of adhesive tapes);

(g) general damages for injury to the defendant's goodwill and loss of exclusive use of the marks; and

(h) costs.

4 Two items of the plaintiff's appeal overlapped with that of the defendant's. It would be more convenient, in my view, to proceed with the defendant's appeal first because it involved a greater amount, and more issues. The first and most substantial ground of the defendant's appeal concerned the award of $245,788 in damages for loss of sales of about $5.4m suffered by the defendant. The parties presented opposing methods of calculating the net profit percentage for the award. The plaintiff relied on a simpler "Internal Profit and Loss Report" ("IPLR") and the defendant relied on a "Sales Analysis by Product Group" ("SAPG") method. The assistant registrar generally preferred the plaintiff's method over that of the defendant's. She gave her reasons from [28] to [39] of her grounds and I need not repeat them here. The main contention before me on appeal was whether the defendant ought to be given leave to introduce a fresh method of calculation that required a more detailed consideration of each individual product. The defendant had proposed several other methods at the hearing before the assistant registrar but the newly proposed method was not one of those. The principal one the defendant relied on was its own SAPG documents. In the course of this appeal,

the parties agreed to appoint Pricewaterhouse Coopers to provide assessors for the sole purpose of assisting me in the evaluation of the various methods used as well as the new one proposed by the defendant. Consequently, Mr Goh Thien Phong and Mr Chan Kheng Teck reviewed the methods as briefed by counsel and made themselves available for my consultation with them. I met both assessors on 13 June 2005. After consulting the assessors, I am satisfied that the method chosen by the assistant registrar was an acceptable method and that those proposed by the defendant in the assessment below were not acceptable and it was right that the assistant registrar rejected them. The assessors were of the view that the fresh method that the defendant hoped to introduce at the appeal before me would probably be the most accurate, but it would be cumbersome, expensive, and might yield a result not far from that used by the assistant registrar. There was no reason why this method was not adduced below. In the circumstances, to allow the defendant's request would result in re-hearing a complicated and lengthy assessment and one that might not produce a substantial redress to the aggrieved party. I would, therefore, not disturb the assistant registrar's election of the plaintiff's method for calculating the net profits. Counsel for the defendant, Mr Radakrishnan, argued that where the total sales of the plaintiff in the "Hi-Bond" tapes amounted to $5.4m, an award of just $245,788 "is nothing more than a slap on the wrist". I think that that would be too extravagantly put because damages depend on profits and the amount of profit is a matter of fact, which in this case, was subject to the accounting exercises carried out, and determined by the assistant registrar as she did. This is not a finding that an appellate court ought to disturb without recalling all the evidence, and for the reasons above, I do not think that there is any merit in re-examining this evidence of fact.

5 The next issue was how much of the net profits would have to be paid over to the defendant. The assistant registrar noted at [25] that:

> [I]n an action [for] passing off, the court is not entitled to assume that every one of the sales of deceptive articles of the defendant would have been obtained by the plaintiff.

It was not disputed, at least at the assessment stage, that the defendant was "not a unique trader in adhesives tapes". Parties referred to an analysis of market share which showed no marked evidence of a drop in market share except for a 20% drop between 1999 and 2000 for the "Hi-Bond" tapes. Plaintiff's counsel, Mr Yeo, argued that even that could be attributed to the perception of the customers that the plaintiff could be the true owner of the product since it had commenced action against the defendant. The assistant registrar, however, did not accept that the 20% represented a true percentage loss to the defendant. She noted that in 1996 the defendant's sales were as much as $1,600,884 but in 2000 it sold only $876,391 worth of products. Not wishing to take this as the loss, which would have meant choosing one extreme in preference to the other, she arrived at the percentage of 45%. She did this by noting that the "deceptive goods" were identical and affixed with identical marks, as well as other factors affecting the sale of such products.

6 Mr Radakrishnan argued that if not for the plaintiff's deliberate passing off in terms of identical marks, the defendant would have made the plaintiff's sales with its own tapes. This submission was premised on a fact that was not proven, and in any event, appeared unlikely since the defendant did not have the monopoly of such adhesive tapes. Mr Radakrishnan argued that there was a virtual monopoly because other tape sellers were selling other brands and not "Hi-Bond". Although that might be so, it does not rule out customers who purchased tapes without regard to brand. It is not known how many such customers there were, and in all probability there would be some because this was a product for varied uses and there were numerous brands of it for sale. Adhesive tapes are not like luxury cars. A person keen on buying a Toyota may not settle for a Honda, and *vice versa*. Adhesive tapes are used domestically and commercially and it would be reasonable to conclude that there would be many customers who might not care what brand it was.

The only issue was whether the assistant registrar's determination of 45% ought to be disturbed. That was an exercise of discretion because even on the basis of the reasons that she gave, she would have stipulated 30% or 60%. I have not seen any compelling reason to either increase or decrease the figure of 45%. Had I to decide this issue without the knowledge that the assistant registrar had decided that percentage I would have thought of a different figure, but that would be no less an exercise of discretion. There is, therefore, no reason to disturb the assistant registrar's decision in choosing 45% as the net profits due to the defendant.

7 Thirdly, the defendant appealed against the award of $30,000 in respect of other "Hi-Bond" tapes such as masking and DSCT insulating tapes. Its main ground was that the sales figures for those other tapes were $993,400 and consequently, it felt that $30,000 was a gross underestimation of the profits made. This represented about 3% of sales. Mr Radakrishnan submitted that it was much too low, and suggested that it ought to be about 20%. The problem here was that the defendant itself did not sell any of these other kinds of tapes so that damages could not be calculated in the same way as the "Hi-Bond" adhesive tapes. Hence, Mr Radakrishnan accepted that damages under this head would be damages "at large". The nature of the product was once again a relevant consideration. If the parties had been selling a particular brand of luxury car or watch, then the infringer might not be entitled to say that the owner of the brand could not claim substantial or not all the profits it made by attaching the owner's mark on the infringer's goods even though the owner was not himself selling that particular make of car (*eg* an estate car) or watch (quartz model). In non-luxury goods such as masking and insulating tapes, the infringer would probably still sell a substantial number of the product by naming it under some other brand. I have no reason to adjust the figure of $30,000.

8 The fourth ground of the defendant's appeal concerned the assistant registrar's refusal to award damages in respect of loss of reputation. The defendant claimed that by selling an inferior product the defendant's reputation was tarnished. Two instances of inferior quality were cited. First, it was said that the plaintiff's tapes delaminated at a lower temperature, that is to say, they could not withstand heat as well as the defendant's tapes. Second, the defendant's solvent acrylic-based DSCT tapes were superior to the plaintiff's water-based tapes. The assistant registrar found that there was insufficient evidence that the difference in temperature resistance made any difference to the sales of either party. She similarly found no evidence that a water-based tape caused any damage to the defendant's reputation. So far as commercial reputation is concerned, I do not agree with Mr Radakrishnan's argument that where a difference in quality is established damage must be presumed. On the specific complaints raised, some surer evidence would be required. Damages for loss of reputation is not synonymous with damages for differences in quality. A presumption of damage is not a strict norm. The nature of the product and the nature of the inferior quality are important factors in the court's determination whether a presumption of damage ought to be inferred.

9 Mr Radakrishnan submitted that the assistant registrar was wrong not to have awarded damages to the defendant for having lowered its prices of the "Hi-Bond" masking tapes because of the plaintiff's competition. It was accepted that the defendant lowered its price from $1.10 per roll (before the plaintiff sued) to 95¢ (after the suit was commenced). Counsel submitted that the assistant registrar overlooked various documents, especially those produced by the witness Connie Lim, exhibiting invoices to three customers in which the prices dropped from $1.10 to 95¢. The assistant registrar was not persuaded that the defendant reduced its prices because of the plaintiff's "undercutting", or that the price reduction was predominantly caused by that event. She noted that during the period in question (1998 to 2001) the national economy fell and product prices were generally reduced. She cited the following passage from the judgment of Kekewich J in *Alexander and Co v Henry and Co, Mitchell Henry, and Waller and Co* (1895) 12 RPC 360 at 367 in support:

> [B]ecause a trader has reduced the prices of the article which he is offering to the public, you must not therefore assume, notwithstanding that there is an infringer in the market, that he is really injured by the reduction of prices. He may have done it merely as a matter of policy. He may have been influenced by many reasons; and to jump to the conclusion that, because a manufacturer has thought fit to reduce his prices, therefore the reduction, that is to say, the difference between the original price and the reduced price, is an injury caused to him by the infringer to be measured by that difference in money, is really coming to a conclusion without premises, ignoring possible, and even probable, facts which might influence the result.

Similar views were expressed by the court in *Draper v Trist and Tristbestos Brake Linings, Ld* (1939) 56 RPC 429 at 437 and 438. These cases indicate the courts' reluctance to award damages for loss of sales or alleged forced price reductions in the absence of unambiguous evidence. This is simply because the fact that a customer buys a product from X does not mean that he would have bought the same product from Y. Hence, unambiguous evidence does not require a higher burden of proof than would normally be required in a civil trial but merely that there must be clear evidence to take the place of assumptions unless the assumptions can reasonably be made. On the facts, there were good reasons to reject the defendant's contention that there was a price reduction of 15¢ because the drop was not a uniform 15¢ drop. From Connie Lim's evidence, the drop between 1999 and 2000 was only 5¢. Furthermore, it seems to me little evidence to indicate that the price drop was due to the plaintiff's lower price. If there were other reasonable reasons, it would be an unwarranted presumption to say that it must have been due to the plaintiff's price cuts alone. I do not think that the assistant registrar was in error here.

10 The defendant's sixth ground of appeal concerned the plaintiff's sales of "jumbo" rolls of "Hi-Bond" masking tapes. This was a straightforward issue of fact. The assistant registrar found that the defendant had not shown that the jumbo rolls sold by the plaintiff bore the "Hi-Bond" markings. The plaintiff maintained that these items were sold as "brandless" items. Whether or not the document adduced at trial indicated clear evidence of such passing off, or was a mistake, as the plaintiff said at the assessment, was a matter that the assistant registrar was well placed to evaluate. The courts would not unreasonably regard with some suspicion whenever a litigant changes his position and claims mistake as the cause for his error. But if the evidence lent credence to the claim, the court can accept it as such. This particular point was the focus of argument at the trial, and I am of the view that the plaintiff could reasonably have made the mistake of not being aware of the error at the time. In any event, the defendant could have adduced clear evidence that jumbo rolls were in fact sold with the "Hi-Bond" marks.

11 Mr Radakrishnan submitted that the plaintiff had used "Hi-Bond" on purchase orders relating to jumbo rolls. I am inclined to agree with Mr Yeo that there were no evidential support for this claim. Counsel relied on the Sales Analysis produced by the plaintiff that indicated sales of jumbo rolls with the "Hi-Bond" marks, but this was what the plaintiff had argued as being its mistake. The assistant registrar having assessed the witness and accepted that it was a mistake, I would not interfere with that finding. Furthermore, the shipping documents showed that the jumbo rolls complained of were sold and delivered by the plaintiff to its customers in China.

12 The defendant also claimed general damages for loss of goodwill generally on account of "an intentional and calculated" damage to the defendant's goodwill. The evidence at trial did not indicate that this was in fact found by the judge. The assistant registrar appeared to have dismissed this outright without reference to it in her grounds of decision. There were reasonable grounds for not awarding such damages in view of the fact that this was a peculiar case in which both parties had been (and still are) using the "Hi-Bond" brand for their various products. The defendant in relinquishing its claim in respect of glue and solvent products effectively allowed the plaintiff to sell

those products under the "Hi-Bond" mark. Accordingly, I would not make any award for loss of goodwill.

13 The eighth and final ground of appeal by the defendant concerned the issue of costs, and in particular, the award of indemnity costs to the plaintiff from 7 August 2004 because the plaintiff had made an offer to settle on 6 August 2004 for an amount that was more than that allowed by the assistant registrar. The amount offered under O 22A r 9(3) of the Rules of Court (Cap 322, R 5, 2004 Rev Ed) was $360,000. The overall award was $28,000 short of that. I agree with Mr Yeo that an O 22A order on costs must generally be respected, otherwise the incentive of making the offer would be diminished. I would not regard the fact that by making the offer the infringer ends up obtaining more costs than the owner as significant. This case was unusual on the facts. I would accept that in a complicated case such as this where damages would not be easily quantifiable, an offer under O 22A might often compel the parties to make a more accurate assessment of their positions rather than to surrender to uncertainty. In this case I do not think that the offer was frivolously or mischievously made. It appears to be a genuine offer. Consequently, I would not disturb the assistant registrar's order for indemnity costs.

14 The plaintiff cross-appealed on four grounds. Firstly, it argued that the assistant registrar was wrong to find that the plaintiff had sold "Hi-Bond" masking and DSCT tapes after April 2001. The plaintiff's case was that all such tapes were shipped back to its sister company in China after 21 April 2001. After that, all such tapes were "converted" to the "Hunter" brand. Contrary to counsel's submission, I do not think that this finding was made by way of a pure assumption. The assistant registrar heard the evidence of the plaintiff's witnesses and disbelieved their explanation. On the other hand, she also noted what she thought were suspicious figures in the Sales Value By Product Group ("SVPG") documents produced by the plaintiff, and formed the view that the plaintiff had been selling "Hi-Bond" tapes at the material period. There might not have been any invoices in respect of such sales, but it is not unreasonable for the assistant registrar to disregard that given her suspicions of other documents produced by the plaintiff. I am unable to justify substituting a different finding from that which she made.

15 Secondly, the plaintiff's counsel argued that the assistant registrar was wrong in her assessment of the "Hi-Bond", "Sensui", and "Star Cellulose" tapes. The main item was the "Hi-Bond" masking tapes which she found the plaintiff to have sold up to $234,081 worth in 2001. Essentially, it was a quarrel over the assistant registrar's acceptance that the sales amounted to $706,980 before making adjustments for the mutual sales figures between the parties. Mr Yeo submitted that the $706,980 figure was erroneously accepted. The problem here was that the plaintiff had initially relied on the SVPG document which the assistant registrar found to be unreliable. Consequently, the plaintiff made an offer to produce more substantial and accurate accounts. I am of the view that, given the sheer volume of the documents covered as well as the late offer, the defendant and the assistant registrar were entitled to reject it. I would have done likewise.

16 The plaintiff's third ground of appeal covered the same issue as the defendant's second ground of appeal which I had dealt with above. For the reasons given, I would similarly dismiss this ground of the plaintiff's appeal.

17 Finally, Mr Yeo submitted that the assistant registrar was wrong to find that there was damage to the defendant in the use of other "Hi-Bond" tapes when there was no evidence that the defendant had itself sold such tapes. He thus argued that the sum of $30,000 ought not to be awarded. This point was also the subject of the defendant's appeal which I dealt with in [7] above. The assistant registrar found that the breach of the defendant's right entitled it to damages and concluded that $30,000 was fair. She did not explain how that figure came about but it was probably

based on a total sale of $993,400. I agree with the assistant registrar that the breach entitled the defendant to damages at large, but as I explained in [7], I could find no reason to adjust the figure of $30,000.

18 In the circumstances, I dismiss both appeals and will hear the question of costs of the appeals at a later date if the parties are unable to agree on costs.

Copyright © Government of Singapore.