Seiko Epson Corp v Sepoms Technology Pte Ltd and Another
[2007] SGHC 81

Case Number : Suit 699/2005, RA 375/2006

Decision Date : 25 May 2007

Tribunal/Court : High Court

Coram : Lai Siu Chiu J

Counsel Name(s) : Koh Chia Ling with Ang Kai Hsiang (Alban Tay Mahtani & De Silva) for the plaintiff; Yeong Zee Kin (Rajah & Tann) for the defendants

Parties : Seiko Epson Corp — Sepoms Technology Pte Ltd; Jal Technology (S) Pte Ltd

Patents and Inventions – Infringement – Liability to account for profits – Whether lack of requisite knowledge of patent may be pleaded by infringing party after consent judgment reached to limit period of infringement for accounting purposes – Whether infringing party should be ordered to furnish accounts for period of infringement asserted by party alleging infringement – Section 69(1) Patents Act (Cap 221, 2005 Rev Ed)

25 May 2007

Lai Siu Chiu J:

1 Seiko Epson Corporation, the plaintiff, filed Registrar's Appeal No. 375 of 2006 ("the Appeal") against the decision of the Assistant Registrar in Summons No. 5337 of 2006 ("the Application") in refusing to order Sepoms Technology Pte Ltd and JAL Technology (S) Pte Ltd, the first and second defendants respectively, to file a further account for the period 20 February 1998 to 30 September 2005.

2 The Appeal came on for hearing before me. I dismissed the Appeal and the plaintiff has now filed a notice of appeal (in Civil Appeal No. 19 of 2007) against my decision.

The facts

3 The plaintiff is *inter alia* a manufacturer of ink jet printers. The defendants manufacture and offer for sale compatible and refillable ink cartridges, which can be used to replace ink cartridges produced by the manufacturers of printers such as those manufactured by the plaintiff. The plaintiff and the defendants both own patents relating to ink cartridges.

4 The plaintiff commenced this suit on 5 October 2005 against the defendants for patent infringement of Singapore Patent No. SG46602 ("the Patent"). In their defence and counterclaim, the defendants denied their acts were infringing and if their acts infringed, the defendants averred that they did not know nor had reasonable grounds to believe that the Patent existed. The defendants further challenged the validity of the Patent in their counterclaim.

5 On 2 August 2006, the parties reached a consent judgment in the following terms before Tan Lee Meng J:

(a) the Patent was valid and had been infringed by the defendants.

(b) the defendants, whether by themselves, their directors, officers, servants, agents or any of

them or otherwise howsoever were restrained from making, disposing of, offering to dispose of, keeping for disposal or otherwise, using and/or importing, ink cartridges under the trademark SEPOMS with 43 model numbers (which were set out) and were restrained from directing, procuring, instigating, causing, enabling or assisting others to do so.

(c) there would be an account of profits by the defendants.

(d) the defendants would pay the plaintiff interest at the rate of 6% per annum on the accounted sum from the date of the writ of summons to the date of judgment.

(e) the defendants were to deliver up forthwith to the plaintiff (or destroy such destruction to be verified on oath) all articles in relation to which the Patent had been infringed.

(f) the defendants would pay the plaintiff the costs of this suit to be taxed if not agreed.

(g) the counterclaim was withdrawn with costs to be paid by the defendants to the plaintiff to be agreed or taxed.

(h) parties were given liberty to apply.

6 In compliance with prayer (c) in the consent judgment, for the purpose of the forthcoming inquiry, the defendants filed (separately) in court on 30 October 2006, their accounts commencing from the date of the writ (5 October 2005) to 31 July 2006 ("the accounted period"). The defendants' director Chou Khow Shing ("Chou") followed by filing his Affidavit of Evidence-in-Chief on 27 November 2006, wherein he deposed that the defendants first acquired knowledge of the Patent on 7 October 2005 when they were served with the statement of claim in this suit. Prior thereto, the defendants did not receive any "cease and desist" letter from the plaintiff nor were the defendants informed orally or in writing by the plaintiff of the existence of the Patent or of the defendants' infringement. Consequently, he was of the view that the defendants were only liable to account to the plaintiff from 7 October 2005 to 2 August 2006.

7 Chou explained that the accounts for the period 1 October 2005 to 30 April 2006 were prepared based on the defendants' audited accounts for the financial year ending 30 April 2006. For the next period 1 May 2006 to 31 July 2006, the accounts were prepared based on the defendants' existing accounts.

8 Chou deposed that the defendants had no reasonable grounds for supposing that the Patent existed, for a number of reasons which he detailed in his affidavit. He added that the defendants agreed to the consent judgment for "commercial practicality".

9 The plaintiff was dissatisfied with the defendants' accounts as filed and filed an objection on 13 November 2006 against both set of accounts, pointing out that the accounted period differed from the period of infringement which it contended was from the date of publication (20 February 1998) of the Patent until the date of the consent judgment. The plaintiff also objected to Chou's affidavit, taking issue with those paragraphs where Chou had related the events from which the defendants acquired the requisite knowledge of the Patent.

10 The plaintiff followed up by filing the Application. The Assistant Registrar dismissed the Application with costs to the defendants, accepting the submission of counsel for the defendants that a Summons hearing was not an appropriate forum for a determination of the date when the account of profits by the defendants should commence. That was best left to the determination of

the Registrar conducting the inquiry. In dismissing the Appeal with costs fixed at $2,000, I endorsed the view of the court below.

The arguments

11 Counsel for the plaintiff submitted that the defendants were estopped by the consent judgment from raising the defence of innocent patent infringement post the judgment date. Counsel contended that the consent judgment was final and conclusive, relying on *Lee Tat Development Pte Ltd v Management Corporation of Grange Heights Strata Title No. 301 (No. 2)* [2005] 3 SLR 157 ("*Lee Tat's* case") for the meaning of issue estoppel. There could not be a residual defence of innocent infringement as raised by the defendants. He submitted that if the court was to rule that the pleaded defence of innocent infringement was still available to the defendants and the issue had to be tried, that would be an oddity in the light of the consent judgment. As such, the Appeal should be allowed and the defendants be ordered to furnish accounts from the date of the registration of the Patent until 30 September 2005.

12 Counsel for the defendants on the other hand submitted that the issue of innocent infringement need not be tried because of s 69(1) of the Patents Act (Cap 221, 2005 Rev Ed) ("the Act") which states:

> In proceedings for infringement of a patent, damages shall not be awarded and no order shall be made for an account of profits against a *defendant who proves that at the date of the infringement he was not aware, and had no reasonable grounds for supposing, that the patent existed.*
>
> [emphasis added]

The defendants' state of mind (as deposed to in Chou's affidavit) was consequently relevant in order to establish when the defendants' liability to account for profits commenced. In accordance with the above section of the Act, the defendants were prepared to account from the date on which they acquired the requisite knowledge of the Patent *viz* the date of service of the writ. As the plaintiff asserted that the defendants were liable to account for a much longer period, this dispute of fact required only a limited inquiry into when the defendants acquired the requisite knowledge of the existence of the Patent.

13 Counsel for the defendants added that it was a question of fact when an infringer acquired the requisite knowledge. He cited *Wilbec Plastics Limited v Wilson Dawes (Sales and Contracts) Limited* [1966] RPC 513 and *Hunter Manufacturing Pte Ltd v Soundtex Switchgear & Engineering Pte Ltd* [2001] 1 SLR 401 for this proposition. No doubt the burden was on the defendants to prove that they acquired the requisite knowledge from a certain date either of the Patent's existence or of grounds for supposing that the Patent existed. The test to be applied was objective (see *Lancer Boss Ltd v Henley Forklift Co Ltd* [1975] RPC 307) and the court must make a finding on the facts to determine when the infringer acquired the requisite knowledge (*Trek Technology(Singapore) Pte Ltd v FE Global Electronics Pte Ltd & Ors (No. 2)* [2005] 3 SLR 389 and *Main-Line Corporate Holdings Ltd v United Overseas Bank Ltd & First Currency Choice Pte Ltd* [2007] 1 SLR 1021 ("*Main-Line's case"*).

14 Further, O 43 r 3 of the Rules of Court (2004 revised edition) ("the Rules") states:

> (1) Where the Court orders an account to be taken, it may by the same or a subsequent order give directions with regard to the manner in which the account is to be taken or vouched or the inquiry is to be made.

15 Order 38 r 1 sets out the general rule for the taking of *viva voce* evidence in trials by the examination of witnesses. Order 38 r 8 states:

> Rules 1 to 7 shall apply to trials of issues or questions of fact or law, references, inquiries and assessments of damages as they apply to the trial of actions.

Pursuant to O 43 r 1 of the Rules, the taking of accounts is an inquiry. Read with O 38 r 8, the issue to determine when the defendants acquired the requisite knowledge of the Patent (so as to limit the plaintiff's entitlement to profits under s 69(1) of the Act) should not be made at an interlocutory hearing but should be determined at the inquiry stage. Findings of fact should not in any case be made at interlocutory hearings (see *Raymond Construction Pte Ltd v Low Yang Tong & Anor* [1996] SGHC 136).

The decision

16 I upheld the decision of the court below as I accepted the arguments of counsel for the defendants. Section 69(1) of the Act limited the defendants' liability for damages for infringement and/or account of profits to the period when they knew or had reasonable grounds for supposing that the infringed patent existed. It was therefore well within the rights of the defendants to assert (in Chou's affidavit) and subsequently prove at the inquiry, that they had no knowledge of the existence of the Patent until they were served with the writ in this suit. Equally, the defendants were entitled to rely on the second limb of s 69(1) to limit their liability to account to the plaintiff for profits.

17 The submission by counsel for the plaintiff that the consent judgment was final and conclusive and the defendants were estopped thereby from asserting innocent infringement was misconceived. The consent judgment in this case was final only on the issue of *liability* for patent infringement by the defendants. The consent judgment was very similar to an interlocutory judgment, with damages to be assessed, because the issue of profits due to the plaintiff resulting from the infringing acts of the defendants had to be resolved later at an inquiry to be conducted by the Registrar.

18 Just like a hearing before the Registrar for assessment of damages pursuant to an interlocutory judgment, evidence would have to be led at the inquiry and witnesses would have to testify on the issue of when the defendants acquired knowledge of the Patent. It was therefore premature of the plaintiff to raise objections at this stage on the accounts filed by the defendants. In any case, the first requirement of issue estoppel laid down by the Court of Appeal in *Lee Tat's* case was not even fulfilled here – there needed to be a final and conclusive judgment *on the merits* (emphasis mine) which was absent here as the consent judgment was not reached after the merits of the plaintiff's claim had been adjudicated. The issue of innocent infringement was never tried.

19 Unlike the defendant in *Main-Line's* case, the plea of innocent infringement had already been raised by the defendants in their defence and counterclaim. It would be unfair for the court to shut out the defendants before the inquiry, from a right given to them under s 69(1) of the Act, to file accounts on the basis that they lacked knowledge of the Patent before 7 October 2005, and to have the issue of innocent infringement on their part determined.

20 Another consideration which I took into account was the unduly onerous and perhaps unnecessary burden the court would be imposing on the defendants if the Application was allowed at this stage. As was rightly pointed out by counsel for the defendants, it would be an expensive (and I would add an impractical) exercise, both in terms of costs and resources required, to retrieve accounting records going back to 20 February 1998 which is almost a decade ago.

21 It bears remembering (but apparently not to the plaintiff) that at law and in practice, there is no requirement for any legal entity (or for that matter individuals) to keep accounting records that go back more than seven years. The costs of assembling or retrieving very old accounting records should only be incurred after the defendants have been found liable to account for the entire period 20 February 1998 to 2 August 2006. Otherwise, such costs would have been needlessly incurred by the defendants in the event the Registrar rule (at the inquiry) that the defendants were not required to account for any period *before* 7 October 2005. Even if the Registrar should direct the defendants to prepare a further set of accounts commencing from 20 February 1998 or on any other date before the filing and/or service of the writ, no prejudice would be caused to the plaintiff by the delay should the inquiry be adjourned as a result. The plaintiff would be easily compensated by an appropriate order of costs against the defendants.

Conclusion

22 To conclude, granting the Application was premature before the inquiry stage. Accordingly, I dismissed the (plaintiff's) Appeal with costs.

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