Bosch Corp (Japan) *v* Wiedson International (S) Pte Ltd and others and another suit [2013] SGHC 47

Case Number	: Suit No 845 of 2006 (Registrar's Appeals No 201 and 306 of 2011, 31, 37 and 62 of 2012), Suit No 133 of 2011 (Registrar's Appeal No 396 of 2011)
Decision Date	: 25 February 2013
Tribunal/Court	: High Court
Coram	: Tay Yong Kwang J
Counsel Name(s)	: David Wu and Florence Bok (Gateway Law Corporation) for the plaintiff; Gopinath s/o Pillai and Tan Kian Hong Aloysius (Tan Jin Hwee LLC) for the defendants.
Parties	: Bosch Corp (Japan) — Wiedson International (S) Pte Ltd and others

Civil Procedure – Striking out

25 February 2013

Tay Yong Kwang J:

Introduction

1 There are five Registrar's Appeals ("RA") arising out of Suit No 845 of 2006 ("Suit 845"). RA No 201 of 2011 ("RA 201") is the appeal by the 2nd and 3rddefendants, and RA No 306 of 2011 ("RA 306") is the appeal by the 1st defendant, against the decision of an assistant registrar ("AR") refusing to strike out the whole or part of the plaintiff's statement of claim. RA No 31 of 2012 ("RA 31") is the defendants' appeal against the AR's order that their defence be struck out and interlocutory judgment be entered for the plaintiff with costs to be paid by the defendants. RA No 37 of 2012 ("RA 37") is the plaintiff's appeal against the AR's order that parts of an affidavit filed on its behalf be deleted. RA No 62 of 2012 ("RA 62") is the plaintiff's appeal against the AR's decision not to strike out the defendants' counterclaim.

2 In Suit 133 of 2011 ("Suit 133"), RA No 396 of 2011 ("RA 396") is the defendants' appeal against an AR's decision refusing to order security for costs against the 1st plaintiff in that action.

3 Before me, the parties agreed to proceed with RAs 31 and 62 first. In RA 31, the AR struck out the defence on the ground that it disclosed no reasonable defence without considering whether it ought to be struck out on the alternative grounds in O 18 r 19 of the Rules of Court (Cap 322, R 5, 2006 Rev Ed) that it was frivolous, vexatious or was otherwise an abuse of the process of the court.

Factual background in Suit 845

4 In 2006, after receiving information relating to alleged trading in counterfeit goods which infringed the plaintiff's trademarks, the plaintiff engaged private investigators to investigate the 1st defendant's premises at Wiedson House situated in Lorong 23 Geylang. Following the private investigators' reports, a complaint was lodged before a magistrate. Search warrants were issued and a raid was conducted at the said premises by the Intellectual Property Rights Branch ("IPRB") of the Criminal Investigation Department.

5 In the presence of the plaintiff's representatives and the defendants, the goods suspected to be the subject of offences under s 46, 47 and/or 49 of the Trade Marks Act (Cap 332, 2005 Rev Ed) ("TMA") were seized by the IPRB. These goods comprised thousands of nozzles, nozzle caps and seals, plungers, plunger seals and packaging and a few hundred documents.

6 The plaintiff commenced this action for alleged trademark infringement and also instituted criminal proceedings against the defendants pursuant to a fiat from the Attorney-General's Chambers. The defendants applied for and obtained a stay of this action pending the determination of the criminal proceedings.

7 The parties engaged in negotiations and a deal was struck on 20 July 2009 under which the defendants agreed to enter into a settlement agreement on certain terms in the civil action and the plaintiff agreed to withdraw or to amend the charges in the criminal proceedings. Accordingly, before the District Court on 24 July 2009, the plaintiff withdrew most of the charges and the two remaining charges were amended such that the alleged infringing goods were significantly reduced to only one nozzle and one plunger.

8 The defendants pleaded guilty to these charges and their counsel's mitigation plea on their behalf included a statement that the defendants would pay "suitable monetary compensation" to the plaintiff "in addition to a public apology in the national press, which arises from their true contrition" together with an undertaking not to commit further trademark infringements. As part of the deal, the plaintiff's counsel did not address the court on sentence and did not object to the court making an order to dispose of the seized goods. The District Court imposed a fine of $1,000 for each charge although the law provided for a custodial sentence and a maximum fine of $100,000 for each charge.

9 However, the defendants did not sign the proposed settlement agreement after the criminal proceedings were concluded. The plaintiff therefore revived the civil action, leading to the defendants filing their defence and counterclaim.

10 The plaintiff's claim in this action is for trademark infringement and for the tort of conspiracy and/or joint tortfeasorship. It alleged that the 1st defendant infringed the plaintiff's various trademarks by using in the course of trade signs which are identical with those trademarks in relation to goods which are identical with those for which the said trademarks were registered. It also alleged that the 1st defendant infringed the said trademarks by using in the course of trade signs which are similar to those trademarks in relation to goods which are identical with or similar to those for which the said trademarks were registered. The plaintiff also averred that the 2nd and 3rd defendants were jointly liable for the 1st defendant's alleged infringements in that all three defendants had unlawfully conspired to injure the plaintiff by unlawful means, namely by infringing the plaintiff's trademarks. The 2nd and 3rd defendants were alleged to have authorised, directed and/or procured the infringements by the 1st defendant. The plaintiff pleaded further that all three defendants were joint tortfeasors who had acted in concert pursuant to a common design to infringe the plaintiff's trademarks.

11 In their defence and counterclaim, the defendants averred that some of the seized goods were genuine parallel import items from China manufactured by a company known as Jinjiang Junri Machinery Co. Ltd ("the Chinese company"), allegedly the owners of the ZXL and Z trademarks in China ("the Chinese trademarks"), which were identical to the trademarks owned by the plaintiff in Singapore. The goods were allegedly manufactured between 7 November 1998 and 6 November 2008 and the plaintiff had therefore impliedly consented to the defendants' use of the same in the course of trade. The defendants also averred that there was no likelihood of confusion on the part of the

public despite the identity and/or similarity of the respective trademarks.

12 The 2nd and 3rd defendants denied being jointly liable with the 1st defendant as the 1st defendant was not liable for the alleged trademark infringements. They also denied any conspiracy to injure the plaintiff. They denied that the 1st defendant carried out the alleged infringements and further denied that they had authorised, directed and/or procured the commission of the alleged infringements by the 1st defendant.

13 In respect of their counterclaim, the defendants alleged that numerous items bearing the 1st defendant's own trademarks and numerous items which did not bear any of the plaintiff's trademarks had been wrongfully seized during the raid by the IPRB. They were thereby prevented from carrying on their trade in those items and deprived of the profits they would otherwise have made. Those items have allegedly also been damaged while in storage after the raid.

14 In its reply and defence to counterclaim, the plaintiff averred that it had succeeded in legal proceedings in China to strike out the Chinese trademarks and pleaded that it had not consented to the defendants' use of the Chinese trademarks in the course of trade. In response to the counterclaim, the plaintiff stated that the seized items bore the plaintiff's trademarks and were therefore not wrongfully seized.

The contentions and the decision of the court

No reasonable defence

15 The plaintiff's trademark infringement claims against the 1st defendant were made pursuant to s 27(1) and (2) of the TMA. The defences available to such claims are set out in s 28 and s 29 of the TMA. In Professor Ng-Loy Wee Loon's book*, Law of Intellectual Property of Singapore* (Sweet & Maxwell, 2009 Rev Ed) at pages 301 to 312, the defences were presented compendiously as:

(a) use of one's name - s 28(1)(a);

(b) descriptive use - s28(1)(b) and (c);

(c) prior user – s 28(2);

(d) use of registered mark – s 28(3);

(e) comparative commercial advertising – s 28(4)(a);

(f) use for non-commercial purpose – s 28(4)(b);

(g) news reporting or commentary – s 28(4)(c); and

(h) parallel imports – s 29.

16 The defence admitted that the Chinese trademarks were identical to the plaintiff's trademarks although it averred further that there was no likelihood of confusion on the part of the public. It was alleged that the seized goods were commonly known as "China Zexel" products and that distinguished them from the same items manufactured in Japan and sold by the plaintiff.

17 The AR stated that the defendants had said at different times that the Chinese trademarks were identical to the plaintiff's trademarks and that the seized goods were produced by the Chinese company and contained the Chinese trademarks. However, before him, it was submitted that that was not the case and the seized goods did not contain the Chinese trademarks. The AR held the view that the pleadings did not allow the defendants to take that position before him. He considered whether it was appropriate to allow the defendants to amend their pleadings but felt that allowing an amendment would be to permit the defendants to take an entirely contradictory position. In his opinion, it was not simply a matter of clarifying the position taken in the pleadings but was a complete change in position. Accordingly, the AR struck out the defence filed by the defendants.

18 Insofar as the counterclaim was concerned, the plaintiff's submissions before the AR were that the correct party for the defendants to sue was the IPRB and not the plaintiff. However, as no authority for such a proposition was cited, the AR was of the opinion that it was not clear-cut that the counterclaim was bound to fail and it should therefore be allowed to proceed to trial. He also ordered the defendants to pay the plaintiff costs of $6,000 exclusive of disbursements for the application before him. He further ordered the costs of the action to be agreed or taxed.

19 Section 29 TMA provides:

> **Exhaustion of rights conferred by registered trademark**
>
> **29**.—(1) Notwithstanding section 27, a registered trademark is not infringed by the use of the trademark in relation to goods which have been put on the market, whether in Singapore or outside Singapore, under that trademark by the proprietor of the registered trademark or with his express or implied consent (conditional or otherwise).
>
> (2) Subsection (1) shall not apply when –
>
> (a) the condition of the goods has been changed or impaired after they have been put on the market; and
>
> (b) the use of the registered trademark in relation to those goods has caused dilution in an unfair manner of the distinctive character of the registered trademark.

20 The defendants' case is that the seized goods were manufactured by the Chinese company in China. They did not plead that the said company was a licensee of the plaintiff and indeed it was not. The plaintiff did not manufacture its goods in China. It follows that the seized goods were not obtained from the plaintiff or its licensee. The "exhaustion of rights defence" encapsulated in s 29 TMA (as it was so described in *Pan-West (Pte) Ltd v Grand Bigwin Pte Ltd* [2003] 4 SLR(R) 755 at [23]) ("*Pan-West*") which is applicable to parallel imports is therefore not available to the defendants as the seized goods were not parallel imports manufactured with the express or implied consent of the plaintiff.

21 The defendants' admission of guilt in respect of the amended charges in the criminal proceedings meant that they acknowledged that at least one nozzle and one plunger of the seized goods were not genuine goods of the plaintiff. The defence in s 29 TMA only applies where one is dealing with the genuine goods of the trademark proprietor (*Pan-West* at [24]).

22 The defendants made a very late attempt to salvage the situation by filing an affidavit at the appeal for leave to amend their defence by removing the words "genuine parallel import". It was submitted before me that these words had been used in error and that the goods in question (which

were diesel tractor engine parts) were not for sale in Singapore but for export to the Middle East. Despite this late concession, the defendants had been repeating this defence in various affidavits. Further, in earlier proceedings in this action, when the defendants attempted to strike out the plaintiff's claims, they argued that it was too late for the plaintiff to amend its pleading. It would be highly inconsistent for the defendants to submit at this stage that they should be permitted to amend their pleading. As the plaintiff's and the defendants' goods were identical, confusion would be presumed. Accordingly, the defence raised no reasonable defence in law and was rightly struck out by the AR.

Frivolous or vexatious

23 On the alternative ground for striking out the defence, the plaintiff relied on *Chee Siok Chin and others v Minister of Home Affairs and another* [2006] 1 SLR(R) 582 (at [33]) ("*Chee Siok Chin*"), where the court said:

> Proceedings are frivolous when they are deemed to waste the court's time, and are determined to be incapable of legally sustainable and reasoned argument. Proceedings are vexatious when they are shown to be without foundation and/or where they cannot possibly succeed and/or where an action is brought only for annoyance or to gain some fanciful advantage.

24 The plaintiff submitted that it has established that the use by the 1st defendant of one or more signs on the seized goods constituted an infringement of the plaintiff's trademarks. As the 1st defendant has admitted to having imported the seized goods into Singapore, the plaintiff has shown "use in the course of trade" in its pleadings. The signs on the seized goods had to be identical with or similar to the plaintiff's trademarks in order to raise the parallel import defence. The seized goods were contained in packing material (boxes and wrapped capsules) that bore the infringing signs. Section 3 of the TMA provides that goods are infringing if they or their packaging bears a sign identical with or similar to a registered trademark and the goods are proposed to be imported into Singapore. Further, material is "infringing material" if it bears a sign identical with or similar to a registered trademark and is used for labelling or packaging the goods in such a way as to infringe the registered trademark. Accordingly, the plaintiff contended, it was clear that the nozzles and plungers were packed in material that bore infringing signs and it was irrelevant whether the signs on the nozzles and plungers were in fact identical with or similar to the plaintiff's trademarks.

25 There was also identity or similarity between the seized goods and the plaintiff's trademarks where specifications were concerned. The Chinese trademarks were registered by the Chinese company in China under class 7, the same class as some of the plaintiff's trademarks.

26 Since all the elements required to show a *prima facie* case of trademark infringement were present in this case, it was up to the defendants to raise a defence under s 28 or s 29 TMA. However, the plaintiff argued, the defendants were precluded from doing so by virtue of their having pleaded guilty to offences under the TMA in the criminal proceedings. They were liable at least for that one infringing nozzle and one infringing plunger.

27 Not only were the seized goods found in infringing packaging material, the said packaging material also indicated that the seized goods were made in Japan under a licence from the plaintiff. Testing done during the criminal proceedings has established that the seized goods were counterfeit ones.

28 In spite of all these facts, the defendants have intentionally adopted a strategy of delay to annoy the plaintiff. They insisted on inspecting every item of the seized goods despite the infringing

packaging material. As a result of the delay, the seized goods have shown signs of corrosion after years of storage in the warehouse. The fact that corrosion had begun was acknowledged by the defendants. The defendants also objected to the High Court making an order in criminal revision proceedings (Criminal Revision No 10 of 2010) that the seized goods be preserved and not be destroyed (as was originally ordered by the District Judge at the conclusion of the criminal proceedings in the District Court). The defendants then went on to challenge the High Court's jurisdiction to make the preservation order (Criminal Revision No 40 of 2010).

29 The 2nd and 3rd defendants then applied to strike out the plaintiff's claim against them. When this was dismissed, the 1st defendant applied to strike out the plaintiff's claim.

30 From the way the defendants have conducted themselves in this action and the related criminal revision matters, it was clear that they wanted to stymie the plaintiff for as long as possible and perhaps have the claim defeated by the natural deterioration of the seized goods or simply wear the plaintiff out. The pleading and the conduct were frivolous and vexatious in the circumstances. I therefore agreed with the plaintiff that the defence ought also to be struck out on this ground. The defendants' conduct would also be relevant when the next ground for striking out is considered.

Abuse of process of the court

31 On the third ground of abuse of process of the court, the plaintiff acknowledged that this was the widest ground for striking out and that it would inevitably overlap with the other grounds. The plaintiff referred again to *Chee Siok Chin* at [34] where the court classified the instances of abuse of process into four categories. They are:

(a) proceedings which involve a deception on the court, or are fictitious or constitute a mere sham;

(b) proceedings where the process of the court is not being fairly or honestly used but is employed for some ulterior or improper purpose or in an improper way;

(c) proceedings which are manifestly groundless or without foundation or which serve no useful purpose; and

(d) multiple or successive proceedings which cause or are likely to cause improper vexation or oppression.

32 Relying on the first category in [31] above, the plaintiff submitted that the defendants had deceived the District Court in the criminal proceedings into imposing only a minimal fine on them. The criminal proceedings involved the three defendants in this action together with two other accused persons. The charges alleged that the various defendants had in their possession for the purpose of trade the infringing items to which the plaintiff's trademarks was falsely applied, an offence under s 49(c) TMA. In the case of the 2nd and 3rd defendants, there was the additional assertion that the offence was committed with their consent. In the written mitigation plea in those proceedings, besides highlighting the factors personal to the defendants, counsel for the defendants stated:

> 23 We respectfully submit that the ***global settlement that the Accused have entered into*** with each of the complainants (collectively the "Global Settlement") in respect of both the private prosecution (PSS Nos 798 & 805 of 2006) and ***the civil suit (Suit No 845 of 2006)*** should be considered a mitigatory factor for the purposes of sentencing.

.....

25 The Complainants have been appeased, and it is respectfully submitted that the private (as opposed to public) interest (of the Complainants) has been amply upheld and there is no likelihood of the Accused re-offending.

26 We respectfully submit that the accused ***will pay suitable monetary compensation*** to the Complainants pursuant to the Global Settlement, in addition to a ***public apology*** in the national press, which arises from their ***true contrition*** . We urge this Honourable Court to view the compensation sum as an expression of the Accused's ***genuine remorse*** for their actions and we humbly submit that the Complainants have been ***appeased by the compensation sum and the other terms*** of the Global Settlement.

.....

34 ... As previously mentioned, the Accused have no antecedents and have already undertaken not to commit the same offences again as part of the Global Settlement with the Complainants.

....

38 In light of the fact that the Accused ***have compensated*** the Complainants as part of the Settlement and that they had attempted to verify the ownership of the trademarks on the Items among the other mitigatory factors highlighted above, we respectfully submit that there are more mitigatory factors in the Accused's favour than the Accused person's favour in *Eddy Kwan* [supra].

[emphasis added in bold italics]

33 The mitigation plea concluded by urging the district judge to impose a fine of less than $1,000 for each of the charges against each of the accused persons.

34 Despite the professed "true contrition" and "genuine remorse", the defendants did not sign any Global Settlement with the plaintiff although the words of the mitigation plea clearly represented that it had already been entered into or at least would definitely be entered into. "Suit No 845 of 2006" mentioned in the mitigation plea is of course the present action. Obviously, there has been no settlement of this action. No compensation has been paid and no public apology has been made. Far from appeasing the plaintiff, the defendants have resorted to fighting the claim every inch of the way once the criminal proceedings were over, to the extent of filing a defence which contradicted some admissions made earlier.

35 Having accepted the statement of facts in the criminal proceedings and having made various admissions in the mitigation plea, the defendants are now practically casting the plaintiff as the villain in this civil suit. It would be highly disingenuous of the defendants to rely on the fact that the charges concerned only one infringing item each when a fair reading of the mitigation plea clearly shows that the defendants were referring to all the seized goods. If it were otherwise, their counsel would certainly have emphasized to the District Judge that there were only one infringing plunger and one infringing nozzle among the thousands seized in the IPRB raid and that all the other items were non-infringing goods. Further, if the remaining goods seized were all non-infringing items, it would be surprising that the defendants agreed to the disposal order made by the district judge and in fact sought vigorously to uphold it during the criminal revisions mentioned earlier.

36 In my view, the defendants have abused both the criminal and the civil process of the courts. I was of the view that the defence could and should be struck out on the ground of abuse of process of the court.

Claim against the 2nd and 3rd defendants

37 The 2nd defendant is the managing director and a shareholder of the 1st defendant. The 3rd defendant is an executive and a shareholder of the 1st defendant. Both the 2nd and 3rd defendants denied being liable for conspiracy and for being joint-tortfeasors with the 1st defendant in that they did not authorize, direct or procure the alleged infringements.

38 In *TV Media Pte Ltd v De Cruz Andrea Heidi and anot*her [2004] 3 SLR(R) 543, the Court of Appeal held that proof of the commission of a tort by a company does not automatically prove that the directors who manage its affairs are also guilty of the tort. However, the Court of Appeal added that the law has carved out an exception to this principle. Where directors order an act by the company which amounts to a tort by the company, they may be liable as joint tortfeasors on the basis that they have procured or directed the wrong to be done. Whether a director is so liable depends very much on the factual situation at hand and the level of his involvement is a matter of degree (see *Gabriel Peter & Partners v Wee Chong Jin* [1997] 3 SLR(R) 649 at [35]).

39 In *Kerly's Law of Trade Marks and Trade Names* (Sweet & Maxwell, 14th Ed, 2005), it is stated (at paragraph 19-140):

> A defendant cannot avoid an order for an inquiry by showing that he infringed innocently. The Claimant has a right to damages regardless of the defendant's state of mind, and that is so regardless of whether the cause of action is infringement of a registered trademark, or passing off.

While innocence may be a defence to a charge under s 49 TMA (see s 49(ii)), it becomes irrelevant in a civil action whether the 2nd and 3rd defendants were aware of the infringements. In any event, the seized shipping invoices showed that they were closely involved in the 1st defendant's import and export of the infringing goods. Both were also present at the 1st defendant's premises at the time of the IPRB raid.

40 In addition, both these defendants have pleaded guilty to their respective charges in the criminal proceedings of having committed an offence punishable under s 49(c) read with s 107(4) TMA by virtue of the 1st defendant's offence having been committed with their "consent". The said s 107(4) provides that where an offence under the TMA by a body corporate is proved to have been committed with the consent or connivance of a director, manager, secretary or other similar officer of the body corporate, or a person purporting to act in any such capacity, he as well as the body corporate is guilty of the offence and liable to be proceeded against and punished accordingly. Obviously, no reliance was placed on the defence of acting innocently under s 49(ii) TMA by any of the three defendants in the criminal proceedings.

41 When a person "consents" to an act, he knows what is happening and agrees to it. By pleading guilty unreservedly to their respective charges and having accepted the statement of facts which stated clearly that the 1st defendant's offence was committed with their "consent", the 2nd and 3rd defendants cannot now claim not to have authorized, directed or procured the infringements by the

1st defendant. There was therefore no reason why their defence (essentially of innocence or non-participation) should be allowed to proceed to trial.

The 1st defendant's counterclaim

42 The counterclaim is that numerous items bearing the 1st defendant's trademarks and numerous items which did not bear the plaintiff's trademarks were also seized in the IPRB raid.

43 The plaintiff's submission is that the raid was criminal in nature, having been conducted pursuant to a search warrant under s 53A TMA and not a search order in civil proceedings, and any cause of action for wrongful seizure ought to lie against the IPRB and not the plaintiff. The plaintiff had to sign an indemnity form to indemnify the IPRB for all claims made against it as a result of the raid. It argued that it had merely set the law in motion by filing a complaint to the magistrate who then directed the IPRB to conduct the raid. The plaintiff further submitted that if the defendants had a case against it, it should be for malicious prosecution and not wrongful seizure since neither the plaintiff nor its agents took any active part in the actual seizure.

44 By virtue of the indemnity given to the IPRB by the plaintiff, even if the IPRB was sued by the 1st defendant, the IPRB would have brought in the plaintiff as a third party in any case. During the raid, the IPRB would possibly have been guided by the plaintiff or its agents as to what goods were infringing items. If the plaintiff or its agents made mistakes in identifying innocent goods as infringing ones, there would conceivably be a cause of action against the plaintiff. We need not concern ourselves now with the question whether the claim would be made out on the facts during the trial. It would be interesting to hear the 1st defendant's explanation as to why it did not ask the District Judge to spare the allegedly innocent items from destruction when he made the disposal order and why it sought so vigorously to uphold the disposal order during the criminal revisions in the High Court.

45 I was not able to hold that the counterclaim was bound to fail and therefore, like the AR, did not strike it out.

46 The defendants have filed an affidavit to seek leave to amend their pleading by removing any reference to parallel import and to the Chinese trademarks being identical to the plaintiff's trademarks. I agreed with the AR that to allow an amendment of this nature at this stage of the proceedings would be to allow the defendants to retract long-standing admissions in their pleading as well as in their affidavits and to take an entirely contradictory position in relation to the plaintiff's claim. This would result in more delay and, as noted earlier, the seized goods have already shown signs of corrosion.

Orders made

47 I therefore made the following orders in respect of the various matters in issue:

(a) Suit 845:

(i) RA 31: Appeal by the defendants is dismissed. The defendants are to pay costs of $9,000 and reasonable disbursements to the plaintiff;

(ii) RA 62: Appeal by the plaintiff is dismissed. The plaintiff is to pay costs of $1,000 to the defendant;

(iii) RA 37: No order as the appeal by the plaintiff has become irrelevant in the light of the orders in RAs 31 and 62;

(iv) RA 201 and 306: Appeals by the defendants are dismissed in the light of the orders in RAs 31 and 62, with no order as to costs;

(b) Suit 133 (this action is essentially on the same facts as those in Suit No 845 of 2006 except that the trademark involved is "Denso" and the plaintiffs are different from the plaintiff in Suit 845):

(i) RA 396: By consent, no order is made without prejudice to the defendants to apply for further security for costs should this suit proceed further. By consent also, this suit is to abide by the decisions made in Suit 845.

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