Bosch Corp *v* Wiedson International (S) Pte Ltd and others and another suit [2015] SGHC 105

Case Number	: Suit No 845 of 2006 (Taking of Accounts No 1 of 2014) and Suit No 133 of 2011 (Taking of Accounts No 2 of 2014)
Decision Date	: 16 April 2015
Tribunal/Court	: High Court
Coram	: Tay Yong Kwang J
Counsel Name(s)	: Ng Chee Weng, Raymund A Anthony and Wiyatno Gerald Mursjid (Gateway Law Corporation) for the plaintiff in Suit 845 of 2006 and the plaintiffs in Suit 133 of 2011; Suresh s/o Damodara (Damodara Hazra LLP) for the defendants in Suit 845 of 2006 and the defendants in Suit 133 of 2011.
Parties	: Bosch Corp — Wiedson International (S) Pte Ltd and others

Damages – Assessment – Account of profits

16 April 2015

Tay Yong Kwang J:

1 This case concerned the taking of account of profits in two suits, namely Suit 845 of 2006 ("S 845/2006") and Suit 133 of 2011 ("S 133/2011"). This is the second judgment issued in respect of these two suits (see [6] below) The plaintiffs in both suits ("Bosch" and "Denso" respectively) are the registered proprietors of certain trade marks. The defendants in both cases are the same. The first defendant ("Wiedson") is a company which is alleged to have traded in counterfeit goods which infringed the plaintiffs' trade marks. The second defendant, Yap Kim Yok ("Yap"), is the managing director and a shareholder of Wiedson, while the third defendant, Gan Yeok Chuan ("Gan"), is an executive and shareholder of Wiedson.

Background facts

2 The history for both suits is protracted. I need only set out the material facts for S 845/2006 since the material facts in both suits are identical except for the plaintiffs and the trade marks involved.

3 In 2006, Bosch received information that Wiedson was trading in goods which infringed Bosch's trade marks. After receiving reports from private investigators which Bosch had hired, Bosch lodged a complaint before a magistrate, who then issued a search warrant. Pursuant to this warrant, Wiedson's premises were raided by the Intellectual Property Rights Branch ("IPRB") of the Criminal Investigation Department ("the Raid"). The IPRB seized goods suspected to be the subject of offences under the Trade Marks Act (Cap 332, 2005 Rev Ed) ("TMA"). These comprised thousands of nozzles, nozzle caps and seals, plungers, plunger seals and their packaging. The IPRB also seized a few hundred documents ("the Seized Documents").

4 Bosch commenced both criminal proceedings (pursuant to a *fiat* from the Public Prosecutor) and a civil action for trade mark infringement. The defendants stayed the civil action pending the outcome of the criminal proceedings.

5 The defendants promised to enter into a settlement agreement in the civil action if certain steps were taken in the criminal proceedings. Bosch would withdraw some charges and amend the remaining charges so that the allegedly infringing goods were practically reduced to one nozzle and one plunger. The defendants would plead guilty to those remaining charges. In return, counsel for Bosch would neither submit on sentence nor object to a court order to dispose of the seized goods. In the (then) Subordinate Courts, Wiedson pleaded guilty to the said charges and in mitigation claimed that it would undertake not to further infringe Bosch's trade mark and that it would pay "suitable monetary compensation" to Bosch "in addition to a public apology in the national press, which arises from their true contrition". The District Court fined Wiedson $1,000 per charge even though the law permitted a custodial sentence and a fine of up to $100,000 per charge.

6 The defendants eventually did not sign the settlement agreement after the criminal proceedings concluded and Bosch revived the civil action. Bosch applied to strike out the defence. Among other things, the assistant registrar struck out the defendants' defence and entered interlocutory judgment for Bosch on the basis that the defence disclosed no reasonable defence. I heard the registrars' appeals in *Bosch Corp (Japan) v Wiedson International (S) Pte Ltd and others and another suit* [2013] 2 SLR 700 and upheld the assistant registrar's decision to strike out the defence on the basis that it was an abuse of court process. The Court of Appeal upheld my decision in CA 152 of 2012 save that they allowed the defendants to defend paragraph 9 of the plaintiff's statement of claim (which concerns claims of counterfeiting).

7 The defendants were thus liable for infringing Bosch's trade mark by selling the infringing products from 2000 to 2006. This is the period for which Bosch has elected to claim an account of profits from Wiedson.

Decision of the court

8 For the purposes of the hearing, various factual witnesses filed a number of affidavits. There were also two affidavits from the expert witnesses. The expert for Bosch was Mr Tay Puay Cheng ("Mr Tay") from KPMG LLP while the expert for Wiedson was Mr Abuthahir Abdul Gafoor ("Mr Gafoor") from Stone Forest Corporate Advisory Pte Ltd. At the hearing, the parties agreed to dispense with the cross-examination of the factual witnesses as they did not add significantly to the taking of accounts. They also agreed that their respective experts would sit in chambers with the Judge and with counsel and proceed with the computation through discussions instead of cross-examination since their respective positions on the accounts had already been made clear in their affidavits.

9 As the material facts and claims in both suits were identical, the parties in the two suits agreed that any decision made in S 845/2006 would bind them in S 133/2011. [note: 1]

Applicable legal principles in an account of profits

10 The legal principles that apply here are straightforward. In an action for trade mark infringement, the Court may grant an account of profits under s 31(2)(*c*) of the TMA. The approach of the Court was summarised in *Main-Line Corporate Holdings Ltd v United Overseas Bank Ltd and another (First Currency Choice Pte Ltd, third party)* [2011] SGHC 268 at [23] and [25]. The Court is concerned with actual profit made by the infringer which is derived from the infringement. The amount accountable may be reduced, first, by deducting costs and expenses from receipts and, second, by apportionment of profits if the profits are generated by a chain of activities and the infringing acts occupy a part of this chain.

Applicable accounting principles in computing profits

11 I had to decide how the net profit attributable to infringing sales should be computed. The main complication here stems from the paucity of documents. The amount of revenue reflected in the Seized Documents, which were seized in the Raid, amounted to $4,545,051. [note: 2] This was only about 10% of Wiedson's total sales from 2000 to 2006 based on its audited financial statements, which amounted to $45,464,319. [note: 3] Over the course of the proceedings, the plaintiff asked for various documents, including management accounts from 2000 to 2006 and lists of the names and codes of products, suppliers and customers in relation to the infringing products. Despite obtaining two orders of court ordering the disclosure of documents, [note: 4] the plaintiffs received nothing as the defendants filed a "nil" list of documents. [note: 5] The result was that the plaintiff only had the Seized Documents, Wiedson's audited financial statements and some schedules to those financial statements. [note: 6] The magnitude of this problem was such that the initial profits estimated by the two experts differed by a wide margin—Mr Tay estimated a profit of $678,027 whereas Mr Gafoor estimated a profit of not more than $41,953. [note: 7]

12 Unsurprisingly, Bosch submitted that Wiedson was hiding documents and that it was vacillating between positions that suited it best and that I should therefore take an adverse view of Wiedson's conduct. [note: 8]

13 Mr Tay opined that the net profit attributable to infringing sales should be computed by multiplying the estimated total revenue from infringing sales by the estimated profit margin of infringing sales. The revenue, in turn, would be estimated by extrapolating the percentage of infringing sales from the Seized Documents to Wiedson's total sales based on its financial statements. The estimated profit margin would then be derived by estimating the costs associated with the sale of the goods. This method, he submitted, would be more reasonable because the estimated cost of inventory, other costs of goods sold and variable costs would have been taken into account when deriving the net profits, and there would be no need to deduct any further costs and expenses. [note: 9]

14 Mr Gafoor, on the other hand, extracted information on the sales and purchases of products whose item code or description code contained the plaintiff's trade mark. Crucially, he determined the estimated revenue from infringing sales based on the source documents only. He then applied a gross profit margin, which was estimated by the price data of each infringing item, to derive a gross profit. He then deducted other variable expenses to arrive at the net profit. Apart from the source documents, he relied on discussions and verbal representations provided by Yap and Gan. [note: 10]

15 In an ideal situation where both parties had complete information, both approaches should lead to similar results. However, as I said above, the paucity of documents made the computation of profits a difficult exercise. To determine the profits attributable to infringing sales, I was less concerned with the experts' formulae than their underlying methods and assumptions in computing revenue and expenses.

Computation of revenue attributable to infringing sales

16 In computing the revenue attributable to infringing sales, two main areas of contention arose. The first was whether *pro forma* invoices should be included in the computation of revenue. The second was whether the percentage of infringing sales should be extrapolated from the Seized Documents to the overall sales, given the lack of documentation.

Whether *pro forma* invoices should be counted as revenue

17 One issue which arose was whether *pro forma* invoices should be included in the calculation of revenue attributable to infringing sales. The effect of including *pro forma* invoices was to increase revenue attributable to infringing sales and, by extension, net profit attributable to infringing sales.

18 Mr Tay took the view that it was reasonable to include them because, absent contrary evidence, the existence of a *pro forma* invoice was *prima facie* evidence that a sale had occurred. If the defendants had meant to use *pro forma* invoices as quotations (as they contended), the *pro forma* invoices should have been marked not as such but as quotations instead.

19 Wiedson argued that its practice was to use *pro forma* invoices to provide quotations and, after the customer accepted the terms of the sale (including the sale price), a commercial invoice would then be created. By counting *pro forma* invoices and commercial invoices, Mr Tay had double-counted some sales.

20 In my view, a *pro forma* invoice was not sufficient on the available evidence here to prove that a sale had in fact occurred. It was plausible that a business labels a quotation as a *pro forma* invoice. In addition, if a commercial invoice corresponded to a *pro forma* invoice, the inclusion of a *pro forma* invoice would lead to double counting. Accordingly, I excluded the amounts in the *pro forma* invoices from the computation of revenue attributable to infringing sales. This benefited the defendants.

Whether other items should be counted as revenue

21 In general, where there were other areas of doubts where the parties could not agree on a solution, I resolved the doubt in the defendants' favour, and proceeded on the basis that Bosch had not proved Wiedson's profits to that extent.

22 An issue arose in S 133/2011 as to whether certain items with the code "DN-ND" were to be treated as infringing when computing the revenue. Wiedson argued that the items with this code were generic codes and therefore not infringing but Denso pointed out that, out of the seven items which bore this code, Wiedson had pasted Denso's marks over four of them. I thus proceeded on the basis that these four items were to be included in the computation but not the other three.

Whether the extrapolation method should be applied

23 The next issue was how, in light of the incomplete documentation, the total revenue attributable to infringing sales should be derived.

24 Mr Tay estimated that 5.5% of the total revenue between 2000 and 2006 (based on Wiedson's audited financial statements) were attributable to infringing sales because 5.5% of the revenue from sales in the Seized Documents were attributable to infringing sales. [note: 11] To support this approach, the plaintiff relied on Australian authorities (since it submitted that there was no reported local authority on how the Court should determine profits when faced with a dearth of documentation). The Full Court of the Federal Court of Australia laid down two general principles in *Liquideng Farm Supplies Pty Ltd v Liquid Engineering 2003 Pty Ltd* [2009] FCAFC 7 ("*Liquideng*") at [35]–[36]. First, "only a reasonable approximation", but not mathematical exactness, is required. Second, although it is generally inappropriate to "speculate" or "guess" without foundation, allowance should be given for lack of precision where the available material is incomplete, inexact and

generalised. In *Bugatti GmbH v Shine Forever Men Pty Ltd (No 2)* [2014] FCA 171, the accounting party failed to identify the total number of goods bearing the relevant trade marks which were sold during the relevant period and the price at which each item was sold. The Federal Court of Australia considered that the difficulties were largely due to the accounting party's conduct and it accepted the applicant's extrapolation method. There, the applicant used the average monthly sales figure in an eight-month period to estimate the sales for the next 16.5 months, and the Court found it not to be unreasonable and possibly the best available option. In *Vivid Entertainment LLC & Ors v Digital Sinema Australia Pty Ltd & Ors (No 3)* [2007] FMCA 748, the Federal Magistrates Court of Australia also implicitly accepted a similar method of extrapolation at [152]. In response, the defendant argued that the plaintiff's method of extrapolation was wholly inappropriate. Since the IPRB actively targeted goods and documents that contained the plaintiff's trade mark during the raid (instead of seizing documents at random), any extrapolation of revenue based on the Seized Documents would have an upward bias and therefore overstate profits.

25 Mr Gafoor posited that, where the documents were incomplete, it could be supplemented by the sales history listings (which was part of the Seized Documents) so that the total revenue could be ascertained. This, he argued, was the best available evidence. He was essentially suggesting that the Seized Documents should be deemed to reflect all the infringing sales. The plaintiff, however, contended that if the revenue was limited to those reflected in the Seized Documents, the resulting profits would be grossly understated because the revenue reflected in the Seized Documents was only about 10% of Wiedson's total sales from 2000 to 2006 based on its audited financial statements).

26 In brief, I preferred Mr Tay's approach. I will first explain why I rejected Mr Gafoor's approach. In my view, given that the sales reflected in the Seized Documents represented only about 10% of Wiedson's sales, the defendant's approach (*ie*, to assume that these Seized Documents reflected all of Wiedson's infringing sales) would have caused a gross underestimation of profits. In fact, Mr Gafoor adopted this stance partly because Yap and Gan had represented to him that Wiedson's revenue at the material time substantially comprised sales of heavy equipment, whereas revenue from the sales of spare parts contributed to Wiedson's revenue to a limited extent. [note: 12] However, the plaintiff found these representations prejudicial since it did not have the benefit of the same representations, which came at a late stage. I agree. In addition, I note that Yap's and Gan's claims were not borne out on the available documents. In Wiedson's 2005 and 2006 audited financial statements, for example, Note 15 stated that revenue represented the "sales value of spare parts supplied to customers", without reference to heavy equipment. Mr Gafoor's report itself conceded that it could not be determined whether all infringing sales were accounted for since the source documents were incomplete. [note: 13]

27 I now return to my views on Mr Tay's approach. I am aware that Mr Tay's method of extrapolation assumed that the proportion of infringing sales in the Seized Documents was not materially different from the proportion of overall infringing sales. This assumption may not be completely correct because the Raid was conducted in a targeted fashion. The consequence was that the profits could be overstated. However, considering the overall situation that the parties were in, Mr Tay's method would probably cause less misstatement of profits as compared to the defendants' method.

28 It was possible to compensate for any overstatement of profits with some additional steps. First, the percentage of infringing sales could be calculated and applied on a per year basis, instead of an aggregate basis. This would restrict the effect of outliers and would in effect reduce the profits from infringing sales. Second, a further margin of error could be applied in favour of the defendants. I

noted that many of the Seized Documents were handwritten, piecemeal in nature and constituted indirect (as opposed to direct) evidence of sales and purchases. Given the paucity of documents and the fact that the evidence was not in the best possible state, I acknowledged that there would necessarily be some guesswork involved, although such guesswork must have a proper foundation in the first place. In my view, a 50% margin of error in favour of the defendants would be appropriate. Such a generous margin should be more than adequate to correct any over-estimation of profits caused by the extrapolation method. At any rate, I could not accept Wiedson's contention that it hardly made any profits from infringing sales. No sensible business would continue to sell products—especially those which infringe another's trade mark—for six to seven years at a loss. No credible evidence was adduced to show why the offending products were not profit-making and why the defendants continued to sell them nevertheless.

29 In my view, the approach that I took was consistent with the law and with common sense. What is required in an account of profits is essentially "a judicial estimation of the available indications" (*General Tyre & Rubber Co v Firestone Tyre & Rubber Co Ltd* [1975] 1 WLR 819 at 826 *per* Lord Wilberforce). The reference to "available indications" was interpreted in *Liquideng* at [35] to mean that the Court must do the best it can on the whole of the material before it. For the reasons above, I directed that the revenue be extrapolated from the Seized Documents to the overall sales on a per year basis, with a 50% margin of error in the defendants' favour.

Computation of net profit margin of infringing sales

30 Another issue which arose was the net profit margin to be applied to the revenue to arrive at the net profit amount.

31 Mr Tay, in his report, proposed a method that involved extrapolation since the documentation for purchases of inventory and other direct costs were also incomplete. Essentially, the following computation was applied to achieve an estimated net profit margin of 27.1%: [note: 14]

Selling Price	100.00%
Less: estimated cost of inventory as a percentage of sales	(71.30%)
Less: estimated cost of other goods sold as a percentage of sales	(0.90%)
Estimated gross profit margin	**27.80%**
Less: estimated other variable costs as a percentage of sales	(0.70%)
Estimated net profit	**27.10%**

32 Mr Tay estimated the cost of inventory as a percentage of sales by matching the available records of Wiedson's purchases of the infringing products to sales records of the same products and then computing the average. The cost of "other goods" related to other costs in the infringing sales (except for inventory cost), such as forwarding, moulding and packing charges. Since the documents were not supplied to him, he made an estimation based on the financial statements from 2003 to 2005. The other variable costs related to other variable expenses incurred in the process of fulfilling the sales. Mr Tay also made an estimation by identifying variable expenses from the financial statements that were directly attributable to the sales process. [note: 15] Mr Tay did not include fixed costs since, in his opinion, Wiedson was unlikely to incur any incremental fixed costs on the basis that the infringing sales were a small percentage of Wiedson's reported revenue. [note: 16]

33 Mr Gafoor, in his supplementary report, adopted Mr Tay's formula, save for the estimated cost of inventory which he estimated to be 72.65% instead of 71.3%. The difference arose for two reasons. First, the experts had used a different exchange rate in relation to the purchase invoice numbered 6ED0303. Second, Mr Tay had included the sale of products which were listed in the *pro forma* invoices whereas Mr Gafoor did not. [note: 17] Accordingly, his estimated net profit of 25.75% was derived as follows:

Selling Price	100.00%
Less: estimated cost of inventory as a percentage of sales	(72.65%)
Less: estimated cost of other goods sold as a percentage of sales	(0.90%)
Estimated gross profit margin	**26.45%**
Less: estimated other variable costs as a percentage of sales	(0.70%)
Estimated net profit	**25.75%**

34 In the end, I was not required to resolve this disagreement as both experts agreed to apply a net profit margin of 25.0% during discussions in chambers. Although this was lower than what both experts had proposed, the parties agreed that it was a realistic estimate and we proceeded on this basis.

Conclusion on the accounting principles used in computing the profit

35 To sum up, the revenue from infringing sales would first be computed by extrapolating the percentage of infringing sales reflected in the Seized Documents to the total revenue reflected in Wiedson's audited financial statements. This would be done on a per year basis. However, in determining the amount of infringing sales, *pro forma* invoices would be excluded. The various other doubts that arose were resolved in Wiedson's favour. To further correct any overstatement from the extrapolation of profits, a 50% margin of error would be given in Wiedson's favour. Subsequently, a net profit margin of 25.0%, to which all parties had agreed as stated above, would be applied to arrive at the net profits attributable to the infringing sales.

Application of principles to the cases and conclusion

36 Based on the principles of revenue computation that I decided and the profit margin as agreed by the parties, the experts computed the revenue and net profit figures afresh in chambers (in respect of both suits).

37 The experts estimated that the total revenue from infringing sales for S 845/2006 (after extrapolation) was about $2,200,000. I then applied a 50% margin of error in the defendants' favour by multiplying the said net profit figure by (100% – 50%) to arrive at $1,100,000. I then applied the agreed net profit margin of 25.0% to derive a net profit attributable to infringing sales of $275,000. Accordingly, I assessed profits at $275,000 to be paid by the defendants to the plaintiff in S 845/2006.

38 In respect of S 133/2011, the experts estimated that the total revenue from infringing sales (after extrapolation) was about $520,000. This would become $260,000 after giving the defendants the benefit of the 50% margin of error. After applying the 25.0% net profit margin, the net profits attributable to infringing sales were computed to be $65,000. Accordingly, I assessed profits at

$65,000 to be paid by the defendants to the plaintiffs in S 133/2011.

39 Although the defendants had extended an offer to settle about three years ago, the plaintiffs decided to proceed on the basis that there was no such offer and asked for costs of $15,000 in each case. Counsel for the defendants, having found this amount reasonable, left the issue of costs to the court. Accordingly, I ordered costs fixed at $15,000 for each case, to be paid by the Defendants to the Plaintiffs.

40 On 13 March 2015, the defendants filed notices of appeal against my decision in both suits. On 16 March 2015, the plaintiffs in both suits filed also filed their notices of appeal.

[note: 1] Plaintiff's Opening Statement at para 1.

[note: 2] Affidavit of Tay Puay Cheng (7 August 2014) at pp 22–23.

[note: 3] Affidavit of Tay Puay Cheng (7 August 2014) at p 23.

[note: 4] ORC 3617 of 2013 and ORC 4756 of 2013.

[note: 5] Plaintiff's Opening Statement at paras 20–27.

[note: 6] Affidavit of Tay Puay Cheng (7 August 2014) at p 16; Plaintiff's Opening Statement at para 22.

[note: 7] Affidavit of Tay Puay Cheng (7 August 2014) at p 28; Affidavit of Abuthahir Abdul Gafoor (7 August 2014) at p 21.

[note: 8] Plaintiff's Opening Statement at paras 20–27, 36–38 and 40.

[note: 9] Plaintiff's Opening Statement at para 30.

[note: 10] Affidavit of Abuthahir Abdul Gafoor (7 August 2014) at p 13.

[note: 11] Defendants' Opening Statement at para 25.

[note: 12] Affidavit of Abuthahir Abdul Gafoor (7 August 2014) at p 14.

[note: 13] Affidavit of Abuthahir Abdul Gafoor (7 August 2014) at p 15; Supplementary Affidavit of Tay Puay Cheng (2 October 2014) at p 12.

[note: 14] Affidavit of Tay Puay Cheng (7 August 2014) at pp 19–20.

[note: 15] Affidavit of Tay Puay Cheng (7 August 2014) at p 19.

[note: 16] Affidavit of Tay Puay Cheng (7 August 2014) at p 27.

[note: 17] Supplementary Affidavit of Abuthahir Abdul Gafoor (16 October 2014) at p 8.

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