

Inphosoft Pte Ltd v Ho Jin Kiat and another (Foo Guowei Derek, non-party)
[2009] SGHC 152

Case Number : Suit 741/2008, SUM 4795/2008, 4928/2008, 5480/2008
Decision Date : 30 June 2009
Tribunal/Court : High Court
Coram : Choo Han Teck J
Counsel Name(s) : Tay Wey Kok Edward, Netto Anthony Leonard and Daniel Tay (Bernard & Rada Law Corporation) for the plaintiff; Tan Tzu Kwang Paul and Tian Geok Peng (Colin Ng & Partners LLP) for the defendants; Lai Tze Chang Stanley and Eunice Lim (Allen & Gledhill LLP) for the proposed intervener
Parties : Inphosoft Pte Ltd — Ho Jin Kiat and another (Foo Guowei Derek, non-party)
Civil Procedure

30 June 2009

Choo Han Teck J:

1 The plaintiff is a software company that was incorporated in 2002 and has been servicing several telecommunication clients in Asia. The plaintiff claims that it owns the copyrights of the products "Content Management System" ("CMS") and Mobile Presentation System" ("MPS"). The 1st defendant is a shareholder of the plaintiff and was a director of the plaintiff until 23 May 2008 when a resolution was passed to remove the 1st defendant from the plaintiff's board. On 6 June 2008, the 1st defendant incorporated the 2nd defendant company. At all material times, the 1st defendant was the sole director and shareholder of the 2nd defendant.

2 The 2nd defendant is now servicing the plaintiff's former Indonesian client, PT. Asia Quattro Net ("AQN"). The plaintiff used to provide CMS and MPS to the Mobile Service Providers in Indonesia through AQN. The 2nd defendant has no other clients. Two key employees of the plaintiff left the company, one in July 2007 and the other in July 2008. They subsequently joined the 2nd defendant. Derek Foo ("the proposed intervener") is one of them.

3 In September 2008, the plaintiff claims to have learnt that the 1st defendant was servicing the Indonesian client through the 2nd defendant using the plaintiff's copyrighted software. The 2nd defendant's software was called CSDP-CMS while the plaintiff's software was called CMS. The plaintiff then applied for an Anton Pillar/Search Order. The court granted a search order on 21 October 2008 and the order was executed on 23 October 2008 at the 2nd defendant's premises.

4 On 30 October 2008, the defendants filed Summons No 4795 of 2008 ("SUM 4795") to set aside the search order and for a return of all listed items belonging to the defendants that was seized and retained during the execution of the search. The only item seized by the plaintiff is an external/portable hard-disk ("the black box"). Otherwise, the plaintiff took copies of allegedly incriminating evidence found in the defendants' computers. According to the defendants, the black box was a personal item that belonged to the proposed intervener, who subsequently filed Summons No 5480 of 2008 seeking to be added as a party to SUM 4795 and a return of the black box seized.

5 The plaintiff filed Summons No 4928 of 2008 ("SUM 4928") for an injunction to restrain the

defendants from reproducing and distributing any part of the software, CMS and MPS, and from otherwise infringing the plaintiff's copyright in CMS or MPS without the licence of the plaintiff until the trial.

6 Turning first to the issue of whether the search order should be set aside. In *Asian Corporate Services (SEA) Pte Ltd v Eastwest Management Ltd (Singapore Branch)* [2006] 1 SLR 901, the Court of Appeal held that the following four questions must be answered in determining whether a search order would be granted:

- (a) Whether the plaintiff has shown that it has an extremely strong *prima facie* case.
- (b) Whether the damage suffered by the plaintiff would have been very serious.
- (c) Whether there was a real possibility that the defendants would destroy relevant documents.
- (d) Whether the effect of the search order would be out of proportion to the legitimate object of the order.

Further, a search order has a very draconian nature and far-reaching consequences on the defendants when it is executed, as the court noted in *Computerland Corp v Yew Seng Computers Pte Ltd* [1991] SLR 247. Therefore, the court has to weigh the plaintiff's right to recover his property and to preserve evidence against the violation of the privacy of a defendant who would have no opportunity to put his side of the case. The order should only be granted in an exceptional case.

7 The plaintiff here alleged that the defendants infringed the plaintiff's copyright by using the copyrighted properties of the plaintiff and that the defendants copied the plaintiff's source code for CMS and MPS. However, the plaintiff did not produce significant evidence to show this. The only evidence at the hearing for the search order was an email dated 29 August 2008, from the plaintiff's former client to, amongst others, the 1st defendant:

25. 3G Portal management is scheduled for deployment mid November.

26. Open item to be discussed: content migration from existing CMS to CSDP CMS (PIC: Saify & Derek).

In my opinion, this was insufficient evidence of a strong *prima facie* case to justify the grant of a search order at the *ex parte* hearing. More importantly, I did not think that there was a real possibility that the defendants would destroy relevant documents. The plaintiff had failed to produce evidence from which the court can properly draw an inference that the defendants had the propensity to

destroy or dissipate material evidence. Even if we assume that the plaintiff had a strong prima facie case that the defendants were infringing their copyright, it did not mean that there was a risk that the defendants would destroy the relevant documents.

8 It seems that the plaintiff sought the search order in order to fish for evidence to prove its claim against the defendants and not because there was a risk that the defendants would destroy evidence. In *Lock International Plc v Beswick & Others* [1989] 1 WLR 1268, Hoffman J observed at 1281 that:

Even in cases in which the plaintiff has strong evidence that an employee has taken what is undoubtedly specific confidential information, such as a list of customers, the court must employ a graduated response. To borrow a useful concept from the jurisprudence of the European Community, there must be proportionality between the perceived threat to the plaintiff's rights and the remedy granted. The fact that there is overwhelming evidence that the defendant has behaved wrongfully in his commercial relationships does not necessarily justify an Anton Piller order. People whose commercial morality allows them to take a list of the customers with whom they were in contact while employed will not necessarily disobey an order of the court requiring them to deliver it up. Not everyone who is misusing confidential information will destroy documents in the face of a court order requiring him to preserve them. [emphasis added]

Therefore, even if the defendants were actually guilty of infringing the plaintiff's copyright, a search order should not be granted unless there was evidence that the defendants had a propensity to destroy the evidence.

9 The terms of search order must be strictly complied with. It was the duty of the solicitor executing the order to ensure due and proper compliance with all the terms. The search order would be discharged if the terms are not followed and prejudice is caused to the defendant, see *Expanded Metal Manufacturing Pte Ltd and Another v Expanded Metal Co Ltd* [1995] 1 SLR 673. The defendants alleged that the terms of the search order was significantly varied from the Prescribed Form under the Supreme Court Practice Directions (2007 Ed):

- a) In para 1(3) of the Order of Court, the plaintiff added that "Order may be executed by the Plaintiff notwithstanding the absence of the Defendants or any of them at the Premises."
- b) In para 2(1) of the Order of Court, the search time was extended from 5pm to 6pm.
- c) In para 4(3) of the Order of Court, the plaintiff deleted the condition that the plaintiff and his representative may not themselves search the 1st defendant's computers "unless they have sufficient expertise to do so without damaging the defendant's system."

The defendant also alleged that the terms of the search order were breached. They claimed that the Supervising Solicitor failed to inform them before the commencement of the search that they had the right to vary or discharge the order. While only six people were permitted to execute the search under the Order of Court, seven people actually executed the search. Despite requests made by the defendants' solicitors, the Supervising Solicitor's report was only filed 20 days after the conduct of the search and after the defendants had filed the application to set aside the search order.

10 The final argument of the defendants was that the plaintiff did not make full and frank disclosure at the ex parte hearing. The defendants alleged that the plaintiff failed to mention the former relationship between the plaintiff and the 1st defendant. The plaintiff did not inform the Judge that the 1st defendant believed that he had been wrongfully removed as a director of the plaintiff and that the plaintiff and its shareholders committed a "series of minority oppression" conduct against the 1st defendant. According to the 1st defendant, the plaintiff was set up by Chin Siang Hui and himself. The 1st defendant claimed to be a key driving force in the business. However, on 23 May 2008, the plaintiff wrongfully removed him as a director. In August 2008, the plaintiff sold all their shares in its subsidiary MConnected Pte Ltd ("MConnected") to Joan Holdings Pte Ltd ("Joan Holdings") at the price of S\$50,000.00. Joan Holdings is controlled by Chin Siang Hui's wife. The plaintiff then repurchased the MConnected shares back from Joan Holdings at the increased price of US\$50,000.00. Thus the 1st defendant believed that not only did Joan Holdings gain from its purchase, the shareholders of the plaintiff had been penalized. The failure of the plaintiff to inform the Judge at the ex parte application for the search order of the 1st defendant's claim that he had been wrongfully removed as a director may have given the Judge the impression that the 1st defendant was in breach of his fiduciary duty to the plaintiff in setting up the 2nd defendant soon after leaving the plaintiff. Therefore, this amounted to material non-disclosure by the plaintiff.

11 The effect of a search order here seemed out of proportion to the legitimate object of the order. Therefore, I allowed the defendants' application in Summons 4795 to set aside the Search Order. The plaintiff has to return all the listed items belonging to the defendants seized and retained during the execution of the search order. However, the defendants must preserve and not dispose of items returned pending the trial or further order. I had earlier allowed the proposed intervener to be added as a party to Summons 4795. I also ordered a return of the black box to the proposed intervener with the order that he preserves the black-box pending trial or further order.

12 Turning now to the application for an interim injunction in Summons 4928. In an application for an interim injunction, the court has to consider the following guidelines: (a) the plaintiff must establish that he has a good arguable claim to the right he seeks to protect; (b) the court must not attempt to decide the plaintiff's claim or claims on the affidavits, it being sufficient if the plaintiff shows that there is a serious question to be tried; and (c) if the plaintiff satisfies the above-mentioned tests, the grant or refusal of an injunction is a matter for the exercise of the court's discretion on the balance of convenience: see *American Cyanamid Co v Ethicon Ltd* (No 1) [1975] AC 396 ("American Cyanamid"). From the facts, it seems that there was a serious question to be tried. The defendants have not shown how they created CSDP – CMS in such a short time frame and who created the software. In *Creative Technology Ltd v Aztech Systems Pte Ltd* [1997] 1 SLR 621, the Court of Appeal held that once the plaintiff has shown sufficient resemblance, the burden shifts to the defendants. The court held that:

The burden of proof does remain with the plaintiff in an infringement claim, to prove copying and access to his work, and, where there is sufficient resemblance shown between the two works, he will invite the court to draw an inference of copying. The defendant then has the opportunity to rebut the inference; to give an alternative explanation of the similarities where this is possible; and at this point, in our view, the burden shifts.

The 2nd defendant was only recently set up. It is only serving one client at the moment. The plaintiff was set up in 2002 and has an established business. It appears that damages would be an adequate

remedy for the plaintiff if an injunction is not granted to the plaintiff and the 2nd defendant is allowed to continue business with AQN using its CSDP – CMS software. Similarly, damages appear to be an adequate remedy for the defendants in the event that an injunction is granted and the defendants succeed at trial. In *American Cyanamid*, it was held that where other factors appear to be evenly balanced, it is a counsel of prudence to take such measures as are calculated to preserve the status quo. An injunction is a temporary remedy. It is advisable for the court to maintain the status quo pending the outcome of the trial. I thus granted an injunction to the plaintiff.

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