

Ng Chu Chong trading as Grand Am Fashion Enterprise v Ng Swee Choon and Others
[2002] SGHC 39

Case Number : Suit 1108/2001

Decision Date : 28 February 2002

Tribunal/Court : High Court

Coram : Lai Siu Chiu J

Counsel Name(s) : Lim Kim Hong and Gregory Fong (Mas & Partners) for the plaintiff; Adrian Ee (Ramdas & Wong) for the defendants

Parties : Ng Chu Chong trading as Grand Am Fashion Enterprise — Ng Swee Choon

Trade Marks and Trade Names – Infringement – Trade mark registration in joint names of plaintiff and first defendant trading as partnership – First defendant withdrawing from partnership – First and second defendants working for plaintiff's sole-proprietorship – Defendants offering for sale goods bearing trade mark but not of plaintiff's origin – Whether infringement of trade mark – ss 26, 27 & 37 Trade Marks Act (Cap 332, 1999 Ed)

Trade Marks and Trade Names – Ownership – Trade mark registration in joint names of plaintiff and first defendant trading as partnership – Whether trade mark partnership or personal property – Effect of dissolution of partnership on ownership of trade mark – Whether transfer of first defendant's rights in trade mark to plaintiff – ss 20(1) & 39 Partnership Act (Cap 391, 1994 Ed) – ss 12(11) & 12(12) Trade Marks Act (Cap 332, 1992 Ed)

Partnership – Dissolution – Effect – Trade mark registration in joint names of plaintiff and first defendant trading as partnership – First defendant withdrawing from partnership – Consequences of dissolution of partnership – Partnership Act (Cap 391, 1994 Ed)

Partnership – Partners inter se – Partnership property and property of separate partners – Trade mark registration in joint names of plaintiff and first defendant trading as partnership – Whether trade mark partnership or personal property – s 20(1) Partnership Act (Cap 391, 1994 Ed) – ss 12(11) & 12(12) Trade Marks Act (Cap 332, 1992 Ed)

Judgment

GROUND OF DECISION

Introduction

1. This was an application brought by Ng Chu Chong ('the plaintiff'), under Order 14 of The Rules of Court, for a permanent injunction restraining Ng Swee Choon, Chian Han Chuan, Oh Han Kiong, Chan Yuen Hou and Chian Lian Fong, trading as GA Fashion Apparel ('the defendants') from dealing in or with the trademark "McBlue". I granted the injunction and such other orders as applied for; the defendants have now appealed against my decision (in Civil Appeal No. 5 of 2001).

Facts

2. The plaintiff is the brother of Ng Swee Choon ('the first defendant'). On 15 July 1987, the plaintiff and the first defendant entered into a partnership called "Grand Am Fashion Enterprise" ('Grand Am'). It was the first defendant who had created the name of the business. Grand Am was to manufacture and to sell fashion apparel under various trademarks, including the trademark "McBlue". On 10 September 1987, the first defendant and the plaintiff trading as Grand Am, were entered by the Registry of Trademarks as the joint proprietors of the McBlue trademark. The trademark was then renewed on 10 September 1994 for a further period of 10 years to expire in 2004. The business grew

and the partnership was able to establish accounts in various major departmental stores in Singapore such as Seiyu, Carrefour, Isetan and Metro.

3. However sometime between 1997 and 1998, a statutory demand to pay a sum of approximately \$1.51 million was served by Far East Finance Organization on the first defendant. She was unable to discharge her debts and a receiving and adjudication order was then made against her on 9 October 1998. The first defendant was aware that she could not remain as a partner of Grand Am if she were to be declared as a bankrupt. Hence, as early as 31 December 1997, she had voluntarily withdrawn from the partnership. The withdrawal was filed in Form D (Statement of Changes in Business under the Business Registration Act) on 23 September 1998. Subsequent searches in the Registry of Businesses revealed that Grand Am was now registered as a sole-proprietorship in the plaintiff's name. Both the second and the first defendants, who are incidentally husband and wife, continued to work for the sole-proprietorship as the managing director and product manager respectively.

4. On 18 July 2001, the plaintiff's wife was informed by an employee of Carrefour's Accounts Department that the Grand Am account was to be closed and taken over by a company called "GA Fashion Apparel" ('GA'). The buyer for Carrefour was led to believe that the first and second defendants were the actual owners of Grand Am. According to the plaintiff, investigations with other departmental store buyers also revealed that the first and second defendants had misrepresented to them that they were the actual owners of Grand Am, that Grand Am and GA were one and the same entity and, that GA would be the new suppliers. I might add at this juncture that these claims were strenuously resisted by the first and second defendants. Both said that such representations were unnecessary in view of their close personal relationships with the buyers of the various departmental stores as the stores would have been aware that Grand Am and GA were separate entities. A search conducted upon GA showed that the firm was a partnership registered on 7 February 2001 in the names of Chan Yuen Hou and Chian Lian Fong (the fourth and fifth defendants respectively). One of the partners, Chian Lian Fong is the sister-in-law of the first defendant. The plaintiff also discovered that GA would be making a delivery to Carrefour on the following day.

5. Consequently, on 19 July 2001, the plaintiff went down to the departmental store and saw the second and third defendants, delivering goods bearing the "McBlue" trademark logo under GA invoices and purchase orders. He confiscated the GA invoices, purchase orders as well as the box of stocks and proceeded to make a police report. The plaintiff then initiated the present proceedings against the defendants on the basis that the defendants had infringed upon the McBlue trademark. He applied for a permanent injunction to restrain them from further infringement and such other consequential orders as necessary. The third defendant, on the instructions of GA, also filed a police report on the 20 July 2001 claiming that the plaintiff wrongfully took possession of the goods and thereby converted them.

The dispute

6. There were numerous points in dispute between the parties. First, the plaintiff and the first defendant disagreed as to the consequences of the first defendant's withdrawal as a partner. According to the plaintiff, it was agreed between the parties that the plaintiff would continue running the business of Grand Am as a sole- proprietorship and the first defendant was to remain in his employment to help clear the debts of the dissolved partnership. On the other hand, the first and second defendants denied that there was any such agreement. The first defendant claimed that the plaintiff had agreed to pay her share of the partnership to her, including the capital sum of \$91,614.70, which she had initially invested in the business, and that there was no contract of employment between the parties. At best, she and her husband (the second defendant) were working

for Grand Am on a free-lance basis and drawing an allowance. They were also entitled to engage in any other business activity as they wished. The second defendant also claimed that the partnership business was never transferred to the plaintiff.

7. Secondly, the first defendant also alleged that the plaintiff had used the partnership name of "Grand Am Fashion Enterprise" for his sole-proprietorship without her consent or agreement.

8. Thirdly, the parties disagreed on the ownership of the McBlue trademark. The plaintiff argued that the first defendant had transferred her proprietary interest in the trademark to him upon the dissolution of the partnership. In support of this contention, he relied upon a letter from Grand Am to the Inland Revenue Authority dated 25 November 1999, signed by both the first defendant and himself, confirming that the business was to be transferred to him on 31 December 1997 as a *going concern*. Therefore, the right to use and to deal in any way with the McBlue trademark was vested in the plaintiff absolutely. Further and in the alternative, even if the first defendant was correct in claiming that she was still a co-owner of the trademark, what she had was at best, a right to use the trademark for the sole purpose and benefit of Grand Am under the 1992 Trademarks Act (Cap 332). This right was exceeded when she authorized GA to market goods bearing the McBlue trademark. The first defendant, in turn, relied upon the certificate issued by the Registry of Trademarks to show that she remained as a joint proprietor of the trademark even after the dissolution of the partnership. The trademark was personal and not partnership property. Furthermore, there was no evidence to show that she had assigned her equal undivided interest in the trademark to the plaintiff. Therefore she was entitled, in accordance with s 37 of the Trademarks Act (1999 ed) (the Act), to use and to authorize GA to deal in goods bearing the McBlue trademark.

The issues

9. I was of the view that only the first and third points were relevant towards the determination of the essential issue in this application which was, whether the plaintiff is entitled to permanently injunct the defendants from dealing with and in goods bearing the McBlue trademark. I shall not concern myself with determining the validity of the counterclaims that the first defendant had raised against the plaintiff in the main suit. Limiting myself to this present application, the following issues hence fell to be determined:

(a) whether the trademark was partnership or personal property;

(b) the consequences of the dissolution of the partnership and its effect upon ownership of the trademark;

(c) whether there was infringement of the trademark by the defendants.

10. The situation was slightly complicated by the fact that the Register of Trademarks continues, even after the dissolution of the partnership, to reflect both the plaintiff and the first defendant as the joint proprietors of the trademark. In addition, the 1992 Trademarks Act under which the trademark was originally registered, was replaced by the Act which provided for a scheme of co-ownership substantially different from the previous position. With this in mind, I shall now take each issue in turn.

Was the trademark partnership or personal property?

11. Section 20(1) of the Partnership Act (Cap 391) states that

All property and rights and interests in property originally brought into the partnership stock or acquired, whether by purchase or otherwise, on account of the firm, or for the purposes and in the course of the partnership business, are called in this Act *partnership property*, and must be held and applied by the partners exclusively for the purposes of the partnership and in accordance with the partnership agreement (*emphasis added*).

It seemed clear to me that the trademark was, prior to the dissolution of the partnership, partnership property. Several factors pointed towards this conclusion. First the certificate of registration was granted to "Ng Chu Chong and Ng Swee Choon *trading as Grand Am*" as opposed to both of them individually. The applicable Act at the time when the trademark was first registered in 1987 and then renewed for another 10 years in 1994 was the 1992 Trademarks Act. It bears remembering that under the 1992 Trademarks Act, co-ownership of registered trademarks was closely circumscribed. Section 12(12) stated that two or more persons who use or propose to use a trademark independently cannot be registered as joint proprietors of the trademark. The only exception to this general principle was s 12(11). Section 12(11) made it clear that co-ownership is only allowed under the Act if the "*relations between two or more persons interested in a trademark are such that no one of them is entitled as between himself and the other or others to use the trademark except on behalf of both or all of them or in relation to goods or services with which both or all of them are connected in the course of trade*". Trademarks could only be registered in joint names when the parties are in partnership with one another. Therefore there was a strong inference that the trademark was partnership as opposed to personal, property.

12. Secondly, the trademark was created and registered after the formation of the partnership. It was also evident that the common intention of the parties at that time was to use the McBlue trademark on the fashion apparel produced or imported by Grand Am. This much was admitted by the first defendant when she said that the trademark was created by her for the partnership. The trademark was hence *prima facie* a property interest that was acquired for the purposes and in the course of the partnership business. Thirdly, the fact that the trademark was not registered solely in the name of Grand Am was merely a consequence of the well established legal principle that the partnership, as opposed to a company, is not recognized as a distinct legal entity but as an aggregate of its partners. The partnership cannot hold property separately in its own name, but must do so via its partners collectively (see *Alagappa Chettiar v Coliseum Caf* [1962] 28 MLJ 11). This however, was not to be interpreted as evidence that the trademark was granted to the parties individually in equal shares as opposed to the partnership.

The first defendant's withdrawal from the partnership

13. I had accepted the plaintiff's version of the facts, that an agreement had been reached between the parties to transfer the first defendant's share of the partnership to him. The change in the status of the business from a partnership to a sole-proprietorship was evidenced in Registry Of Businesses searches upon Grand Am and also in a letter to IRAS dated 25 November 1999. This particular letter was signed by both the plaintiff and the first defendant and made explicit reference to the transfer of the business to the plaintiff as a going concern.

14. In addition, I noted from the counterclaim that the first defendant was also seeking the recovery of \$91,614.70, which she alleged was the sum that the plaintiff had agreed to pay for her share of the partnership. There was an apparent contradiction in her testimony. Assuming for the present

application, that the first defendant was indeed entitled to recover this amount of money for her share of the partnership upon dissolution, it did not then lie in her month to assert that there was never any agreement to transfer the partnership. I was of the view that this was clear evidence of a pre-existing agreement between the parties whereby all the assets and liabilities of the partnership were to be transferred to the plaintiff upon the dissolution of the partnership. It was unclear whether or not this sum of money was eventually paid to the first defendant. The first defendant claimed that it was never paid. Conversely, this point was neither admitted nor denied by the plaintiff in his pleadings save that he would contest the point in the main trial. However I felt that this was probably irrelevant; in my view whether or not the plaintiff had 'cheated' the first defendant of her share of the partnership business did not in any way detract from the existence of such an agreement, but rather supported it.

15. The credibility of the plaintiff's evidence was further bolstered by the fact that there was ample evidence of the existence of the second part of the bargain between the parties i.e. that the first defendant was to remain with Grand Am as an employee. In a supplier account form with Isetan, the second defendant described himself and the first defendant as the employees of the plaintiff trading as Grand Am. There were also numerous Forms IR8A (return of employee's remuneration) filed by the first and second defendants from 1998 – 2000 and receipts of employer's CPF contributions detailing the first and second defendants as the employees of Grand Am from January to April 2001. Lastly, in the statement of affairs filed by the first and second defendants in their bankruptcies, both described themselves as the employees of the plaintiff trading as Grand Am. The first defendant had in her Official Assignee Declaration, also stated unequivocally that she no longer had any assets in the business of Grand Am. Hence, all the cumulative evidence strongly suggested that there was such an agreement between the parties for the transfer of the first defendant's share in the partnership to the plaintiff, pursuant to which she had divested her interest in the partnership prior to the bankruptcy order.

16. Prior to the dissolution of a partnership, each of the partners i.e. the plaintiff and the first defendant has a proprietary interest in each and every asset. However the plaintiff has no entitlement to claim any particular item of property as his own in the absence of some contrary agreement (see *Rodriguez v Speyer Brothers* [1919] AC 59 and *Burdett-Coutts v Inland Revenue Commissioner* [1960] 1 WLR 1027).

17. The position changes when the partnership is terminated. Upon a general dissolution, each of the partners is entitled to receive that amount which, after accounting for the firm's debts and liabilities, turn out to be due to them respectively (see s 39 Partnership Act [Cap 391]). The position is similar with respect to the trademark which is partnership property. I need only refer to Lindley & Banks on Partnership (17 ed) at para 3-20, it states:-

If on a dissolution all the partners are equally entitled to the goodwill of a firm, they cannot even by agreement, insist on a trade or service mark belonging to a firm being registered in their respective names. If they cannot agree to vest the trade or service mark in one or more of themselves (jointly if more than one), it must be realised for the benefit of all the partners.

18. On the facts of this case, upon the withdrawal of the first defendant from the partnership on the 31 December 1997, the partnership was wound up and ceased to exist. This was not due to the operation of s 33 of the Partnership Act which provides that the bankruptcy of a partner ipso facto dissolves the firm, but rather was a result of s 2 of the Act which made it impossible for a partnership to exist when there was only one remaining partner left. The rights of the first defendant to an account hence arose. Therefore *prima facie*, the trademark forming part of the pool of partnership

assets would have to be realised for the benefit of all the partners. However, there was also in place at the same time, an agreement between the parties that the first defendant would transfer her share in the partnership to the plaintiff's sole-proprietorship in consideration for the re-payment of \$91,614.70 and the promise of continued employment with Grand Am. This agreement would naturally include the rights over the trademark, that being partnership property. I was therefore of the view that, the ownership rights over the McBlue trademark were also transferred to the plaintiff pursuant to the agreement. In other words, as from the date of dissolution of the partnership on 31 December 1997, the rights in the trademark became vested in the plaintiff.

19. My conclusion was unaffected by the fact that the certificate of registration was not rectified and continued to show the first defendant as a joint proprietor of the trademark; neither was there an assignment of the first defendant's rights over the trademark to the plaintiff. However I thought that these omissions were probably due to inadvertence as well as to the close familial relationship between both parties. Further, I also noted that the last time when the certificate was renewed was sometime in September 1994 when the parties were still in partnership and on amicable terms with each other. There was hence no cause for rectification of the certificate in 1994. The parties also probably omitted to rectify the register when the partnership was subsequently dissolved or thought that there was no such need to do so since the registration would only be good till 2004. In any case, I thought that it was clear from the facts that the parties intended for the first defendant to transfer her share in the partnership to the plaintiff.

Infringement of trademark

20. Having found as I did that the trademark was partnership property and that it had been transferred to the plaintiff (or the sole-proprietorship) upon the dissolution of the partnership in 1997, it remained for me to consider whether there had been an infringement of the trademark to justify the granting of the injunctions sought.

21. Section 26 of the Act states that only the proprietor has the exclusive rights to use the trademark and to authorize other persons to use the trademark in relation to those goods or services for which the trademark is registered. Section 27 goes further to specify the acts amounting to infringement of a registered trademark. In general, a person is said to have infringed another's trademark when he uses the trademark in the course of trade in relation to the goods or services for which the trademark is registered or when he authorized other persons to do so without the consent of the proprietor. If I am correct in holding that the plaintiff was from 1998 onwards, the sole-proprietor of the McBlue trademark, it seemed clear that the first defendant (together with the other defendants) had infringed his trademark by offering for sale under the business of GA, goods and apparel bearing the McBlue trademark which are not of the plaintiff's manufacture or origin. The plaintiff was able to provide the court with copies of invoices and other supporting documents for goods bearing the McBlue trademark for the account of GA rather than Grand Am. There was also evidence that the first and second defendants had been corresponding with the suppliers of Grand Am but ordering goods and apparel for GA's account.

22. Consequently, the defence of the first defendant (that she was entitled as a joint proprietor to authorise GA to purchase and deal with goods bearing the McBlue trademark) must fail. Similarly, even if I accepted as true that the first and second defendants were employed on a free-lance basis by the plaintiff and could do whatever they wished, this did not mean that they were entitled to use the trademark for their own benefit to the detriment of Grand Am when the first defendant no longer had any interest in the trademark.

Conclusion

23. I was of the view that the plaintiff was entitled to protect his trademark and prevent other persons from using or otherwise dealing in it. I therefore allowed the Order 14 application and granted the following orders:

(a) That the defendants whether acting by itself or themselves, jointly or severally or by their servants, agents or anyone over whom they exert power or control of any of them or otherwise howsoever be restrained from importing, exporting, ordering, purchasing, offering for sale, selling, supplying, distributing, disposing of or parting with possession of or otherwise howsoever dealing in or with the McBlue trademark or any other products not of the plaintiff's manufacture or origin bearing the McBlue trademark or words visually or phonetically similar thereto; or otherwise howsoever infringing the plaintiff's registered Trade Mark No, 4380/87.

(b) That the defendants deliver up within 30 days all goods and materials which would offend the injunction granted under prayer (a) and the defendants to verify on oath such deliveries up, including goods or materials consigned to department stores and other outlets.

(c) An order for discovery relating to orders (a) and (b).

(d) An inquiry as to damages; notice of assessment to be filed by the plaintiff after discovery and within 14 days of the date of application, and

(e) Costs to be taxed unless otherwise agreed.

However, so as not to prejudice the defendants on their counterclaim, I also ordered early trial dates for the same.

Sgd:

LAI SIU CHIU
JUDGE

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