

Main-Line Corporate Holdings Ltd v United Overseas Bank Ltd and Another (First Currency
Choice Pte Ltd, Third Party)
[2009] SGHC 232

Case Number : Suit 806/2004, RA 327/2008, 328/2008
Decision Date : 16 October 2009
Tribunal/Court : High Court
Coram : Belinda Ang Saw Ean J
Counsel Name(s) : Wong Siew Hong (Infinitus Law Corporation) for the appellant/plaintiff; Ang Wee Tiong (Tan Kok Quan Partnership) for the first respondent/first defendant; Koh Chia Ling and Arthur Yap (ATMD Bird & Bird LLP) for the second respondent/second defendant
Parties : Main-Line Corporate Holdings Ltd — United Overseas Bank Ltd; First Currency Choice Pte Ltd — First Currency Choice Pte Ltd

Damages – Election of remedies

Patents and Inventions

16 October 2009

Belinda Ang Saw Ean J:

1 The Registrar's Appeals before me raise an interesting question of election between remedies for patent infringement. In July 2008, the plaintiff, Main-Line Corporate Holdings Limited ("Main-Line"), as the successful party in the liability trial for patent infringement, elected for the remedy of an account of profits against the first defendant, United Overseas Bank Limited ("UOB"), and the remedy of damages against the second defendant, First Currency Choice Pte Ltd ("FCC"). The defendants objected to the elections on the grounds that by claiming both remedies, Main-Line was (a) advancing remedies on a mutually inconsistent basis for the same infringement; and (b) seeking to obtain double recovery for the same loss. The Assistant Registrar agreed with the defendants that Main-Line must elect the same remedy against both defendants. She, therefore, ordered Main-Line to make a fresh election of the same remedy against UOB and FCC for either an account of profits, or for damages. I disagreed with the Assistant Registrar's order and allowed Main-Line's appeals. I now furnish reasons for my decision.

Background

2 Main-Line is the proprietor of Singapore Patent No. 86037 titled "Dynamic Currency Conversion for Card Payment Systems" ("the Patent"). The Patent covered a method and system of determining the operating currency of a payment card (*ie*, credit cards, charge cards or debit cards) at the point of sale between the merchant and the cardholder. It was essentially an automatic currency conversion system to replace the previous system of manually performing currency conversions. Corresponding patents have also been registered in Europe and Australia. The litigation proceeding in Singapore was just one of many patent suits Main-Line was involved in around the world.

3 I take up the history of this case at the point in time when both FCC and Main-Line were involved in negotiations with UOB for the provision of an automatic currency conversion system. I should mention that FCC was the creator and proprietor of a competing system, the "First Currency Choice System" ("the FCC System"). Eventually, UOB entered into a Multicurrency Exchange Agreement ("ME Agreement") with FCC in October 2001.

4 Under the ME Agreement, UOB would provide its merchant clients with the point of sale terminals to enable them to accept card payments in foreign currencies, that is to say, the “front-end” of the system. On the other hand, FCC was responsible for the FCC System (including the servers and computer operating systems) that processed the transactions routed to it from the point of sale terminals. This formed the “back-end” of the system. FCC earned the foreign currency exchange spread, and UOB was promised a commission from FCC under the ME Agreement.

5 Main-Line sued UOB for infringement on 5 October 2004. On 1 November 2004, FCC applied to be added as a defendant. The Writ of Summons was amended and then re-filed on 16 November 2004. However, the Statement of Claim and the Particulars of patent infringement remained unchanged. Nonetheless, FCC’s Defence referred to Main-Line’s Statement of Claim and the Particulars as though they referred to FCC as well. Both defendants denied any infringement and they instead claimed that the Patent was invalid.

6 By a consent judgment dated 17 December 2004, UOB obtained a declaration that FCC indemnifies UOB in respect of any sum UOB might be held liable to pay to Main-Line, including Main-Line’s costs and UOB’s costs incurred in defending the main action and the bank’s third party proceedings on an indemnity basis.

7 After an 18-day trial, Tay Yong Kwang J held that the Patent was valid and that both UOB and FCC had infringed the Patent within the meaning of s 66(1)(b) of the Patents Act (Cap 221, 2005 Rev Ed) (“the Act”)(see *Main-Line Corporate Holdings Ltd v United Overseas Bank Ltd* [2007] 1 SLR 1021 (“*Main-Line HC*”). Tay J also dismissed the defendants’ counterclaim to invalidate the Patent. Specifically, the court found that although the FCC System performed automatic currency identification in a slightly different sequence from that in the Patent, it was still an infringement because the FCC System performed essentially the same function using the integers of the claims in the Patent. The court granted an injunction against further infringement of the Patent; ordered an inquiry as to damages before the Registrar, or an account of profits. In an order of court dated 18 May 2007, Tay J clarified that costs against both defendants were ordered on a joint and several basis.

8 The defendants’ appeal against Tay J’s decision was dismissed by the Court of Appeal in its judgment dated 31 October 2007 which in the main concentrated on the question of the validity of the Patent (see *First Currency Choice Pte Ltd v Main-Line Corporate Holdings Ltd* [2008] 1 SLR 335 (“*Main-Line CA*”)).

9 On 16 July 2008, Main-Line filed and served two Notices of Election; one against UOB for an account of profits and the other against FCC for damages. As stated earlier, the Assistant Registrar set aside both Notices of Election and ordered Main-Line to make a fresh election of the same remedy against both defendants for either an account of profits or damages. The basis of the Assistant Registrar’s decision was that even if Main-Line could have pursued two separate causes of action and thus avoided election, Main-Line’s pleaded case did not distinguish between the defendants’ acts of infringement. I interpose to observe that after a full trial, the parties should be guided by Tay J’s decision rather than the pleadings. Notably, Tay’s J decision (which was upheld on appeal) had clearly defined the nature and extent of the infringement by both defendants (see (“*Main-Line HC*”) at [73] which is reproduced at [44] below).

The defendants’ arguments

10 The defendants’ submitted that Main-Line’s election contravened s 67(2) of the Act. The defendants relied on the definition of “the same infringement” in *Spring Form Inc v Toy Brokers Ltd*

[2002] FSR 276 ("*Spring Form*") to argue that Main-Line was only entitled to elect one remedy against multiple defendants so long as the claim related to the one infringing article or operation of a process. The main plank of their argument was that the FCC System was a single infringement of the operation of a process which had caused damage to Main-Line. In particular, UOB and FCC had entered into the ME Agreement to utilize the FCC System together so that every infringing transaction required the participation of both UOB and FCC. The damage was thus the same and the election of an account of profits against UOB and damages against FCC would offend the double recovery rule.

11 Mr Koh Chia Ling acting for FCC (and UOB represented by Mr Ang Wee Tiong adopted Mr Koh's arguments), explained further that the measure of damages against FCC was best quantified on a reasonable royalty basis. Main-Line would be compensated with damages equivalent to a royalty fee for exploiting the Patent in Singapore without consent. The quantum of damages to be paid by FCC would take into account FCC's subsequent dealings with UOB. Regardless of the number of defendants down the supply chain, Main-Line suffered the same damage, *ie*, the value of the hypothetical licence fee. If on top of that, so the argument continued, Main-Line was awarded an account of profits from UOB, there would be double recovery as both FCC and UOB caused the same damage to Main-Line represented by the licence fee.

12 Mr Koh sought to reinforce his argument by citing *Jameson v Central Electricity Generating Board* [1999] 2 WLR 141 ("*Jameson*") for the proposition that the satisfaction of judgment by one tortfeasor would extinguish a plaintiff's cause of action against a second tortfeasor in respect of the same loss. On account of this risk of extinguishing the second cause of action, by necessity, so he reasoned, Main-Line must elect between inconsistent remedies to avoid double recovery. Mr Koh maintained that the proposition extended and applied to cases of joint torts and concurrent torts causing the same damage. I make two comments to dispose of this last argument. First, *Jameson* is not helpful authority as the principle applies where there has been *satisfaction* of one tortfeasor's cause of action which was not the situation here on the facts of the present case. Second, damage in that case (unlike infringement under the Patent Act) was an essential element of the cause of action without which the claim against another tortfeasor would fail. In short, if damages are already recouped in full, no claim can be brought against the second tortfeasor. Gleeson CJ and Callinan J in *Baxtor v Obacelo Pty Ltd* [2001] 205 CLR 635 at 656 explained:

If there has been a judicial assessment of the whole of the plaintiff's loss or damage, resulting in an award of damages by way of judgment in that amount against one tortfeasor, satisfaction of the judgment by that tortfeasor will put an end to any claim, or possible claim, against another tortfeasor, whether a joint tortfeasor or one of several concurrent tortfeasors, for two reasons. First, the damage, as assessed by judicial decision, has been fully recouped and the claim against another tortfeasor lacks a subject matter. Where ... damage is an essential element of the cause of action, that element will have gone. Secondly, it would be inequitable to permit additional recovery.

Main-Line's arguments

13 Main-Line's case as advanced by its counsel, Mr Wong Siew Hong, is that UOB and FCC had separately infringed the Patent. Specifically, UOB was liable for offering the FCC System for use to the public *via* its merchant clients, and in the alternative, liable for the use of the FCC System. UOB's liability began only in May 2002. FCC, on the other hand, was liable because it "actually used" the infringing FCC System by performing the Patent process on its server, and in the alternative, FCC would have been liable for offering UOB the use of the FCC System. FCC was liable once it created the FCC System in 2001. Mr Wong pointed out the defendants' liability as joint tortfeasors were never

pleaded and Tay J could not and did not find them liable as joint tortfeasors.

14 Main-Line further argued that there was no question of double recovery because the present appeals are concerned with cumulative and not alternative remedies. In order to demonstrate that the damage from the infringement was not the same, Mr Wong explained that the damage caused by UOB was the loss of business from one bank whereas the damage caused by the FCC System was the worldwide infringement of Main-Line's Patent. In other words, the remedy of damages even though normally based on reasonable royalty did not represent Main-Line's total loss against FCC. Furthermore, the quantum of UOB's liability in accounting for profits was also a subset of Main-Line's total loss. If anything, FCC's indemnity to UOB was a commercial risk FCC had undertaken voluntarily and therefore irrelevant.

15 Mr Wong cautioned that *Spring Form* is doubtful authority and should not be followed as it did not consider the full range of authorities. Disagreeing with the decision, Mr Wong submitted that every "dealing" should constitute an act of infringement thereby attracting separate liability. Contrary to Mr Koh's argument, there was no "franking" of the product by the establishment of liability earlier up the chain of infringement. Finally, since UOB and FCC were not joint tortfeasors, Main-Line could have brought separate causes of action against UOB and FCC in two actions, in which case there would be no prohibition against electing different remedies.

Discussions and decision

The Patents Act

16 I begin the discussions by setting out s 66 of the Act:

Meaning of infringement

66. —(1) Subject to the provisions of this Act, a person infringes a patent for an invention if, but only if, while the patent is in force, he does any of the following things in Singapore in relation to the invention without the consent of the proprietor of the patent:

(a) where the invention is a product, he makes, disposes of, offers to dispose of, uses or imports the product or keeps it whether for disposal or otherwise;

(b) where the invention is a process, he uses the process or he offers it for use in Singapore when he knows, or it is obvious to a reasonable person in the circumstances, that its use without the consent of the proprietor would be an infringement of the patent;

(c) where the invention is a process, he disposes of, offers to dispose of, uses or imports any product obtained directly by means of that process or keeps any such product whether for disposal or otherwise.

17 Section 67(1) of the Act provides the remedies available to the proprietor of a patent whose rights have been infringed, and they are: (a) an injunction restraining the defendant from any apprehended act of infringement; (b) for an order for the defendant to deliver up or destroy any infringing article; (c) damages in respect of the infringement; (d) account of the profits derived from the infringement; and (e) a declaration that the patent is valid and has been infringed. Section 67(2) reads:

The court shall not, in respect of the same infringement, both award the proprietor of a patent damages and order that he shall be given an account of the profits.

Remedies of damages and account of profits

18 Patent infringement is a statutory tort. A plaintiff whose rights have been infringed may seek damages arising from the infringement or an account of profits.

19 In the context of patent infringement, the purpose of ordering an account is not to punish the defendant, but to prevent the defendant's unjust enrichment (see *Warman International Ltd v Dwyer* (1995) 128 ALR 201 at 208 ("*Warman*"); *My Kinda Town Ltd v Soll* (1982) 8 FSR 147 at 149 and 156). The remedy therefore obliges the defendant to disgorge benefits. Furthermore, the remedy (which retains its equitable characteristics) will be defeated by equitable defences such as estoppel, laches, acquiescence and delay (see *Warman* at 210).

20 Whitford J in *Codex Corporation v Racal-Milgo Ltd* [1984] FSR 87 ("*Codex v Racal-Milgo*") held that an account of profits from an initial infringer does not "frank" the infringing article thereafter as legitimate because taking an account does not condone any subsequent infringements. Additionally, upon an injunction being granted against continuing infringement, every subsequent manufacture, use and sale must be considered an infringement (at p 93).

21 As for the remedy of damages in patent infringement cases, it is a compensatory remedy to put the injured party as far as possible in the same position as he would have been in if he had not sustained the wrong. The leading authority on the question of damages for infringement of an intellectual property right is the speech of Lord Wilberforce in *General Tire & Rubber Co v Firestone Tyre & Rubber Co Ltd* [1976] RPC 197 at 212 – 214. That case concerned the amount of damages payable in respect of the infringement of a patent relating to an oil-extended rubber. Lord Wilberforce gleaned from the reported cases three approaches to damages. The first situation, appropriate to manufacturers who exploit their inventions, is the profit which would have been realised by the patentee if the sales had been made by him. The second situation, appropriate to those who exploit their inventions by licensing others to use them, is the amount the infringer would have had to pay by way of royalty for a licence legalising the infringements. The third is where it is not possible to prove either that there is a normal rate of profit, or that there is a normal, or established licence royalty. In such cases, the plaintiff will have to adduce evidence to guide the court as to the considerations to be taken into account to determine the measure of loss. Lord Wilberforce noted (*ibid*, at 214) that:

This evidence may consist of the practice, as regards royalty, in the relevant trade or in analogous trades; perhaps of expert opinion expressed in publications or in the witness box; possibly of the profitability of the invention; and any other factor on which the judge can decide the measure of loss. Since evidence of this kind is in its nature general and also probably hypothetical, it is unlikely to be of relevance, or if relevant, of weight, in the face of the more concrete and direct type of evidence referred to under (2). But there is no rule of law which prevents the court, even when it has evidence of licensing practice, from taking these more general considerations into account. The ultimate process is one of judicial estimation of the available indications.

22 A patentee is not confined to the method of assessing damages on the basis of a notional royalty payment in respect of infringing use if he can prove that he has suffered damages in the way of loss of profits. Lord Wilberforce approved (at 214), a passage in the judgment of Fletcher Moulton LJ in *Meters Ltd v Metropolitan Gas Meters Ltd* (1911) 28 RPC 157 at 165 which concluded:

But I am not going to say a word which will tie down future judges and prevent them from exercising their judgment, as best they can in all the circumstances of the case, so as to arrive at that which the plaintiff has lost by reason of the defendant doing certain acts wrongfully instead of either abstaining from doing them, or getting permission to do them rightfully.

23 It is further noted that recovery of damages from the manufacturer of an infringing article does not “frank” the article as legitimate thereafter; that is to say, the patentee is entitled to pursue a claim of infringement against the customers of the initial infringer (*United Telephone Company v Walker* (1887) 4 RPC 63 and *Catnic Components Ltd v C Evans & Co (Building Merchants) Ltd* [1983] FSR 401, (“*Catnic Components*”)).

Election between remedies

24 The rationale for the principles of election between alternative remedies is to prevent double recovery since a plaintiff should not be permitted to recover more than he has lost. The other reason (associated with equitable election) is that the plaintiff is not permitted to approbate and reprobate. What this means is that the plaintiff cannot take the benefits without the burdens.

25 An account of profits is an example of an alternative remedy known to the law which will give rise to the need for a plaintiff to elect between it and a remedy of damages which is a compensatory remedy. Main-Line’s submission in essence is that it is not necessary to elect where the remedies to which it is entitled are cumulative as opposed to alternative, and in that connection, I have been referred, in particular, to the discussion of the matter which appears in the opinion of Lord Nicholls in *Personal Representatives of Tang Man Sit v Capacious Investments Limited* [1996] 2 WLR 192 (“*Tang Man Sit*”).

26 It is not disputed that the authorities make it clear that damages and an account of profits are alternative remedies and the aggrieved party is required to elect which remedy to pursue. Lord Nicholls in *Tang Man Sit* stated the principles as follows (at 196-197):

The law frequently affords an injured person more than one remedy for the wrong he has suffered. Sometimes the two remedies are alternative and inconsistent. The classic example, indeed, is (1) an account of the profits made by a defendant in breach of his fiduciary obligations and (2) damages for the loss suffered by the plaintiff by reason of the same breach. The former is measured by the wrongdoer’s gain, the latter by the injured party’s loss.

Sometimes the two remedies are cumulative. Cumulative remedies may lie against one person. A person fraudulently induced to enter into a contract may have the contract set aside and also sue for damages. Or there may be cumulative remedies against more than one person. A plaintiff may have a cause of action in negligence against two persons in respect of the same loss.

...

Faced with alternative and inconsistent remedies a plaintiff must choose or elect between them.

2 7 *Tang Man Sit* itself was a case of alternative inconsistent remedies. There, the plaintiff was

awarded at first instance both an account of profits and damages for breach of trust. The Hong Kong Court of Appeal held that the remedies were inconsistent; but since the defendant had already paid the plaintiff some of its secret profits, the plaintiff was deemed to have elected an account of profits instead of damages. The Privy Council disagreed, holding that there was no real election made, and the plaintiffs could still recover damages but with credit to the secret profits already paid out.

28 There are a number of other examples of alternative remedies known to the law which give rise to the need for an election. The Privy Council decision in *T. Mahesan s/o Thambiah v Malaysia Government Officers' Co-operative Housing Society Ltd* [1979] AC 374 ("*Mahesan*") illustrates the principle that a plaintiff who recovers a judgment for damages in fraud against his bribed agent is precluded from recovering a judgment in the amount of the bribe as money had and received. The appellant who was the director and employee of a housing society was bribed by a real estate agent, one Manickam, and the appellant then caused the society to buy land at an overvalue. The agent was sued for money had and received (for the amount of the bribe paid in breach of the agent's fiduciary duty) as well as in tort (for the loss suffered by the society for the overvalued land because of the agent's fraud). These two remedies were in the alternative and the principal had to elect between them. The housing society elected the larger claim for damages for the loss it sustained as a result of the appellant's wrongdoing.

29 A patent case is *Neilson v Betts* (1871) LR 5 HL 1. That case concerns certain patent infringement actions brought by a Mr Betts in respect of his patent for the manufacture of a metal alloy that could be used to cap bottles. There was only *one* act of infringement – the defendant sent bottles of beer which infringed the patent to an agent in England who then shipped it to other customers in England. The plaintiff was successful and was awarded a decree giving him both damages and an account of profit. On appeal to the House of Lords, Lord Westbury held that the court could award either damages, or an account of profit upon a decree of infringement of a patent. Lord Westbury said (at 22):

My Lords, I have only farther to observe that the decree of the Court below directed not only an inquiry as to damages, but also an account of profits. The two things are hardly reconcilable, for if you take an account of profits you condone the infringement. I therefore think, my Lords, that we were right in calling upon the Respondent's Counsel to elect between the two which he would adopt. He has adopted the inquiry as to damages, and the other, the account of profits, must be struck out of the decree.

30 In the related case of *De Vitre v Betts* (1873) LR 6 HL 319, Lord Cairns discussed Lord Westbury's speech in *Neilson v Betts* as follows (at 325):

Now, my Lords, as I understand that Order, if it decided anything it decided this, that, not by reason of any peculiarity in that particular case, not by reason of the inquiry as to damages being sufficient for that particular case as distinguished from other cases, but on the general principle that the recent power given to the Court of Chancery to grant an inquiry as to damages was not intended to be superadded to, and could not co-exist with, the old relief administered by the Court of Chancery of granting an inquiry as to profits; upon that ground your Lordships decided that the decree in that case should be varied; and, my Lords, that is a ground which applies not to that case alone, but to every case of an infringement of a patent.

31 Lord Chelmsford said (at 321):

My Lords, the case of *Neilson v Betts* most undoubtedly decided the general principle that, upon a decree against a party for the infringement of a patent, the patentee is not entitled both to an account of profits and an inquiry into damages. That principle applies generally and without any distinction at all. It applies to every case of infringement; and, therefore, it must be taken to have settled conclusively that point, that the patentee must, in all these cases where he has a decree, elect whether he will have an account of profits or an inquiry into damages. He cannot have both. That being so, we understand that on the present occasion the patentee, through his counsel, has elected to take the inquiry as to damages; and of course, therefore, the decree must be varied by striking out that which gives him, in addition, an account of the profits.

32 The examples above are of cases where a plaintiff must elect between two alternative and inconsistent claims against one defendant. The case where a plaintiff has different claims against more than one defendant for the same amount is the Privy Council decision in *United Australia Ltd v Barclays Bank Ltd* [1941] AC 1 ("*United Australia*"). In that case, the appellant's secretary endorsed a cheque in favour of a third party, MFG, without authority. The appellant brought an action against MFG for money lent or had and received, but the action was eventually discontinued. The appellant (United) then sued the bank for damages for conversion of the cheque, or alternatively, for negligence. The Privy Council held that United was not prevented from succeeding in its action in tort against the bank by the earlier proceeding against MFG. However, in the context of a discussion on alternative causes of action (and remedies) against the one tortfeasor, Viscount Simon LC's comments contemplate the situation where the *same facts support rights to different remedies* against the *same* defendant and in such a case the plaintiff is required to elect between remedies. Viscount Simon LC said (at 19):

The substance of the matter is that on certain facts he is claiming redress either in the form of compensation, i.e., damages as for a tort, or in the form of restitution of money to which he is entitled, but which the defendant has wrongfully received. *The same set of facts entitles the plaintiff to claim either form of redress.* At some stage of the proceedings the plaintiff must elect which remedy he will have. There is, however, no reason of principle or convenience why that stage should be deemed to be reached until the plaintiff applies for judgment. (emphasis added)

33 As indicated, *United Australia* concerned different causes of action against different parties as distinct from alternative remedies against one party. The question before the Privy Council was what would prevent a plaintiff from pursuing a good cause of action against one party to judgment. In that context, it is distinguishable from cases such as the two *Betts* cases where there are alternative bases of monetary relief in respect of *one* cause of action.

34 No election is necessary when the remedies are cumulative. Thus, there is no conflict when a claimant seeks different remedies against several tortfeasors causing different damage, or cumulative remedies against the same person for distinct claims. In *Tang Man Sit*, Lord Nicholls observed as follows (at 198):

Faced with cumulative remedies a plaintiff is not required to choose. He may have both remedies. He may pursue one remedy or the other remedy or both remedies, just as he wishes. It is a matter for him. He may obtain judgment for both remedies and enforce both judgments. When the remedies are against two different people, he may sue both persons. He may do so concurrently, and obtain judgment against both. Damages to the full value of goods which have been converted may be awarded against two persons for successive conversions of the same goods. Or the plaintiff may sue the two persons successively. He may obtain judgment against one, and take steps to enforce the judgment. This does not preclude him from then suing the other. There are limitations to this freedom. One limitation is the so called rule in *Henderson v Henderson* (1843) 3 Hare 100. In the interests of fairness and finality a plaintiff is required to bring forward his whole case against a defendant in one action. Another limitation is that the court has power to ensure that, when fairness so requires, claims against more than one person shall all be tried and decided together. A third limitation is that a plaintiff cannot recover in the aggregate from one or more defendants an amount in excess of his loss. Part satisfaction of a judgment against one person does not operate as a bar to the plaintiff thereafter bringing an action against another who is also liable, but it does operate to reduce the amount recoverable in the second action. However, once a plaintiff has fully recouped his loss, of necessity he cannot thereafter pursue any other remedy he might have and which he might have pursued earlier. Having recouped the whole of his loss, any further proceedings would lack a subject matter. This principle of full satisfaction prevents double recovery.

35 Similarly, where the cumulative remedies are of an account of profits, Laddie J in *Celanese International Corp v BP Chemicals Ltd* [1999] RPC 203 at 219 held:

[T]here is only one profits "pot". If different plaintiffs seek accounts in respect of different infringing activities of a defendant within a single business, the totality of the profits ordered to be paid should not exceed the total profits made by the defendant in that business.

36 The principles in *Tang Man Sit* were approved by our Court of Appeal in *Lim Teck Cheng v Wyno Marine Pte Ltd* [1999] 4 SLR 673. The appellate court held, *inter alia*, that where cumulative remedies are available to a plaintiff, the latter cannot recover, in the aggregate, an amount in excess of his loss (see also *Tang Man Sit* at 198).

The meaning of "same infringement" under s 67(2) of the Act

37 I now move away from the common law position to consider the question of what is meant by "the same infringement" in s 67(2) of the Act. The defendants relied on *Spring Form* for the meaning of "same infringement" in s 67(2) of the Act. In that case, the plaintiffs, the patentee and the exclusive licensee of the patent, sued Worlds Apart for the infringement of its patent. Separately, the plaintiffs commenced an action against two of Worlds Apart's customers. Additionally, the plaintiffs commenced an action against two other defendants, Toy Brokers and its controlling mind Brennan, but this action was settled by a consent order in which the plaintiffs received an account of profits from the defendants. One of the issues addressed by Pumfrey J was whether the exclusive licensee and the patentee could claim both profits and damages. The other was how the account of profits worked where there was a chain of distribution. In answering the first question, Pumfrey J examined s 61(2) of the Patents Act 1977 (c 37) (UK) ("the English Patents Act 1977"), which is *in pari materia* to our s 67(2), as follows (at 287):

The first question is the effect of subsection 61(2) on the election which may be made by a patentee: what is meant by "infringement" in the subsection. If it means "act of infringement" (as in make, dispose of, offer to dispose of use or import and so on) then the provision is nonsensical, as in general it is the whole course of the infringer's dealing with a particular item which causes the patentee loss or gives the infringer profit. In this context it makes no sense to separate manufacture from sale. In my judgment, therefore, the word "infringement" in subsection 61(2) is used in a colloquial way to denote the defendant's activities in respect of a single infringing article or operation of a process.

Pumfrey J concluded that the exclusive licensee has to make the same election as the patentee because the exclusive licensee shares a common cause of action with the patentee.

38 The definition of "infringement" in *Spring Form* seemingly departs from the existing common law principle that claimants in patent infringement cases must elect between the remedies of damages and an account of profits. As noted earlier, the remedy for an account of profits originated from common law (in the case of *Neilson v Betts*) and was apparently only introduced in statutory form in the English Patents Act 1949 (c 67) (UK). There was no statutory rule requiring an election until the English Patents Act 1977. Cornish and Llewelyn, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (Sweet & Maxwell, 6th Ed, 2007) commented as follows (at 79-80):

It used to be said that the claimant must elect either for damages or an account, upon the theory that by seeking an account the claimant adopted the defendant's act as his own, but this explanation is now dubious. The better principle is merely that in respect of any one infringement the claimant should not be entitled to be both reimbursed and compensated [citing s 61(2) of the Patents Act 1977].

What comes to mind here is the established principle of statutory interpretation that the legislature is not presumed to take away existing rights except where it is expressly spelled out in the provision itself or by necessary implication. Notably, the Court of Appeal in *Leong Wai Kay v Carrefour Singapore Pte Ltd* [2007] 3 SLR 78 at [13] approved the passage in *In re Cuno* (1889) 43 Ch D 12 where Bowen LJ said (at 17):

[I]n the construction of statutes, you must not construe the words so as to take away rights which already existed before the statute was passed, unless you have plain words which indicate that such was the intention of the legislature.

39 Section 67(2) has to be construed with this established principle of statutory interpretation in mind. If analysed in the way explained by Pumfrey J, the *Spring Form* definition would lead to the rather implausible result that separate torts would nonetheless bind the plaintiff to the same remedy. To reiterate, this would be a departure from the common law position where alternative and inconsistent remedies were from two separate causes of action originating from the *same set of facts* (see Lord Diplock's speech in *Mahesan* at p 382). *Papps v Mahon* [1966] NZLR 288 at 292 helpfully explains the distinction between an additional cause of action and an alternative remedy. Wilson J said:

The same facts and circumstances may give rise to a right to relief under more than one principle of law or equity and in such case the causes of action are different, but if the same relief is claimed under two or more causes of action they are alternative causes of action.

40 The concern that prompted Pumfrey J to define “the same infringement” as a single defendant’s activities in respect of a single infringing article or operation of a process was the fact that while manufacture and sale were two separate acts of infringement, the patentee’s loss or the defendant’s profit stemmed from “the whole course of the infringer’s dealing”. To Pumfrey J, it made no sense to allow an account of profits for the unauthorized manufacture of a patented product but damages for the sale of that same product. This is a valid concern. However, this concern alone should not be reason for defining “the same infringement” in such a wide manner contrary to the established rule of statutory interpretation (see [\[38\]](#) above).

41 One problem identified by Pumfrey J is that it may not be possible to draw a line between what damages or profits can be attributed to one act of infringement and the other when the two are so tightly bound together. That is a quantification problem that does not self-evidently constitute double recovery. When it is alleged that the claims overlap with each other to the extent that they infringe the compensatory principle, it is necessary to look carefully at the basis of each claim, and at whether two lots of compensation are indeed claimed for the same loss. I am satisfied that that is not this case though the limits of the losses claimed will need careful scrutiny in the future, not now. Ultimately, the limit a plaintiff may recover is based on the actual loss suffered by him or the actual profits earned by the defendant, whichever is the greater sum (see *Lim Teck Cheng v Wyno Marine Pte Ltd* at [\[38\]](#) above). As to the present issue of election, Pumfrey J’s interpretation of the meaning of “same infringement” is wider than the common law position.

42 Although Pumfrey J considered “the same infringement” to be only a *single* defendant’s activities in respect of an infringing article or operation of a process, he went on to use that definition in discussing accounts against successive infringers. Pumfrey J said (at 289-290):

I have already construed the section 61(2) in the context of an account against a particular defendant as meaning that the patentee is restricted to either an account or damages in respect of the defendant's activities in respect of a single infringing article or operation of a process. There is no doubt that so far as one defendant is concerned damages and account of profits are inconsistent. But is the election made in respect of the infringing article in the hands of another. And what about the product of an infringing process which is sold to another and used?

I think the answer to this question is best approached through examining the award of damages. Wherever in a chain of supply a patentee chooses his defendant, he will recover as damages the loss reasonably foreseeable as a result of the infringing article going out into the market. Thus, if it is reasonably foreseeable that the goods manufactured or dealt in by a particular defendant will cause the patentee to lose his profit on a competing sale, he will recover that loss of profit, as will his exclusive licensee if he has one. It is thus often a matter of indifference where in the supply chain the defendant is selected: he may be selected because he is substantial; or because he is the only source of the infringing articles; or to obtain some sort of collateral advantage. If the patentee goes on to sue another, he will only recover the balance of the loss which he has not recovered from other defendants, although he will have a choice as to which to execute against and for how much. It is well settled that recovery of damages does not 'frank' the infringing article for future dealing, but that it remains an infringement.

Once the claimant has elected to be compensated in damages for the appearance in commerce of the infringing article or process, it seems to me that the compensation which he receives reflects all the commercial stages through which the article goes or all the purposes for which the process is used and the product of the process is used: see for example *Gerber Garment Technology Inc. v. Lectra Systems Ltd* [1997] R.P.C. 443, CA. He is entitled to claim for the fact that a sale has caused him loss both now and in the future and may entitle him to ancillary and bridgehead damages. To permit computation of damages in this way is inconsistent, in my judgment, with examining parts of the commercial history of the infringing article and seeking in respect of some events an account of profits, and in respect of others damages. Accordingly, I consider that an election extends to all defendants in respect of any particular infringing article, infringing process or product of the latter.

43 Mr Wong pointed out that Pumfrey J's attention was perhaps not brought to cases in which the claimant obtained damages from the first defendant but an account of profit against the customer of the first defendant. In *Catnic Components*, the claimant initially sued Hill & Smith Ltd in another action and recovered damages partly on a loss of profits basis and partly on a notional royalty basis. However, the claimant went on to sue the customers of Hill & Smith Ltd, the defendants. Falconer J considered that since there was no "franking" of an infringing article and therefore the claimant was free to pursue any successive purchasers of an infringing product; the claimants were awarded an account of profits from the defendants. Although not in issue, Slade LJ also considered the possibility of alternative remedies against multiple defendants in *The Electric Furnace Co v Selas Corporation of America* (No. 2) [1987] RPC 23 (CA) at 33 where he said:

As the writ makes plain, they are seeking an account of profits as an alternative remedy to damages, against both defendants. If the action proceeds to trial it would, I think, be open to them to pursue a remedy by way of damages against one [of] the defendants, and a remedy by way of account of profits against the other. No authority has been cited to us which suggests the contrary. Alternatively, they might choose to pursue separate remedies, by way of an account of profits, against each of the defendants.

Notwithstanding what was said in the passage quoted above, in my view, the question is very much confined to whether a plaintiff can recover damages against one defendant and an account of profits against another in respect of the "same infringement".

The present appeals: decision

44 I begin with reiterating the two important aspects of this case. First, UOB and FCC were several tortfeasors causing different damage. The second matter is the contractual relationship created by the ME Agreement for the use of the FCC System. Despite that contractual relationship, Tay J found the defendants separately liable for patent infringement. Tay J at [73] held:

FCC uses and offers for use its system to UOB. UOB in turn uses and offers its merchants the use of the FCC System. In my view, it is obvious to a reasonable person in the circumstances that such use without the consent of the proprietor would be an infringement of the patent. Both UOB and FCC have therefore infringed the patent within the meaning of s 66(1)(b) of the Act.

45 It is implicit from a plain reading of the judgment that the actions of FCC and UOB gave rise to separate liability, and as such *Spring Form* is distinguishable on the facts. The clarification order that the defendants were jointly responsible for legal costs was not a countervailing point that detracted from the plain reading of [73] of Tay J's judgment. The remedies available to Main-Line were clearly cumulative and not alternative. The causes of action here were separate and distinct in that one stemmed from FCC's infringing acts relating to the creation of the FCC System *prior* to UOB's involvement, and the other stemmed from the subsequent agreement between UOB and FCC.

46 *Spring Form* is distinguishable for another reason. The Patent was for a process (it covered a method and system for automatic currency conversion) and Main-Line was not a manufacturer. Since the infringement here was of a process, the analysis of Pumfrey J in *Spring Form* was not helpful. Even if the *Spring Form* definition of "the same infringement" is accepted, it has no application here because Pumfrey J's consideration of a situation involving multiple defendants clearly envisaged a single infringing article passing down the distribution chain. The present appeals cannot be compared to a distribution chain where a product is manufactured and then sold.

47 The distinction mentioned in [46] above is best illustrated by briefly going through the series of events. FCC initially created the FCC System without the consent of Main-Line. The FCC System performed automatic currency identification in essentially the same manner as the Patent although there were minor variations in method. No royalties were paid to Main-Line. At this time, UOB was not involved in the infringement. However, the damage to Main-Line did not end there. Following the creation of the FCC System, FCC negotiated with UOB for the provision of an automatic currency conversion system. FCC succeeded in reaching a deal with UOB and the ME Agreement was inked. In a distribution chain, the manufacturer would not earn any profit after the initial sale of its product. Here, not only had FCC caused damage by failing to pay any royalties to Main-Line in the creation of the FCC System, FCC was also, as argued by Mr Wong, in direct competition with Main-Line for the

provision of an automatic currency conversion system to UOB.

48 The defendants put forward the FCC System as a singular infringement of an operation of a process which caused no additional damage after its creation by FCC. The essence of the defendants' argument, even though it was not framed that way, was that the FCC System had been "franked" because the quantum of damages took into account FCC's subsequent dealings with UOB. However, as stated, the Patent was of a process and Main-Line was not a manufacturer; thus there could be no "franking" (see *Codex v Racal-Milgo* at [20] above). UOB later used and offered for use to its merchant clients the point of sale terminals linked to the FCC System, thereby infringing the Patent itself. This was a fresh infringement. As argued in *Catnic Components* (at p 421), each infringing act potentially causes damage, although the establishment of damages was a question for the enquiry proper.

49 Since UOB's wrongdoing (*ie*, the use and offer for use to its merchant clients) was separate from FCC's wrongdoing, Main-Line was entitled to ask for an account of profits from UOB despite its election to ask for damages from FCC. The election in s 67(2) of the Act has no application here as the remedies are cumulative. At any rate, the "same infringement" referred to in s 67(2) of the Act is not as broad as Pumfrey J suggested in *Spring Form*. In addition, the occasion to scrutinise whether the claims overlap with each other to the extent that they infringed the principle against double recovery, if at all, is at the assessment stage. As a matter of law, the claims seemed to me to be arguable, and I saw no reason why this remedy for an account could not be available to Main-Line if it wished to pursue it against UOB and, at the same time, pursue against FCC a different remedy for damages. Sustaining each remedy is another matter depending on the evidence as to whether, for instance, the whole of the profit (if any) made by UOB is attributable to the infringement. For purposes of the Registrar's Appeals, given the common ground that UOB obtained commission from FCC, on the face of it, UOB was enriched to the extent that the commission was earned in breach of s 66(1)(b) of the Act. UOB took a benefit to which it was not entitled and by way of redress, it is proper to ask UOB to restore it. On the other hand, Main-Line is not required to prove damage to avail itself to the remedy for damages under s 67(1) of the Act (see Buckley LJ's speech in *SmithKline Corp v DDSA Pharmaceuticals* [1978] FSR 109 at 114).

50 For completeness, as Mr Wong rightly pointed out, the joint tortfeasorship of the defendants was not pleaded. At any rate, the evidence did not support the circumstances creating joint tortfeasorship, namely, principal and agent, master and servant, and "two persons who agree on common action, in the course of, and to further which, one of them commits a tort" (per Scrutton LJ in *The Koursk* [1924] P 140 at 155). In infringement of patent cases, a third party who had a common design with the defendant may also be a joint infringer (see generally *Unilever Plc v Gillette (UK) Ltd* [1989] RPC 583). As stated above, there was a substantial period of time in which FCC was infringing on the Patent through its design and manufacture of the FCC System, of which UOB did not play a part in.

Conclusion

51 For all those reasons, both appeals were allowed. UOB was ordered to pay costs here and below inclusive of disbursements fixed at \$1,500. FCC was ordered to pay costs here and below fixed at \$5,000 plus reasonable disbursements.