SMC Marine Services (Pte) Ltd v Thangavelu Boopathiraja and Others
[2008] SGHC 29

Case Number : Suit 422/2007, SUM 3736/2007

Decision Date : 28 February 2008

Tribunal/Court : High Court

Coram : Tay Yong Kwang J

Counsel Name(s) : Alban Kang and Joyce Ang (Alban Tay Mahtani & De Silva) for the plaintiff; Low Chai Chong and Zhulkarnain Abdul Rahim (Rodyk & Davidson LLP) for defendants

Parties : SMC Marine Services (Pte) Ltd — Thangavelu Boopathiraja; Asset Automation Pte Ltd; Maritime Automation Pte Ltd

Civil Procedure

28 February 2008

Tay Yong Kwang J:

1 The plaintiff is a company incorporated in Singapore in March 1999. It is engaged in the business of transporting bulk cargoes within the South East Asian region using tugboats and barges.

2 The first defendant was employed by the plaintiff as a systems engineer between 16 February 2004 and 31 August 2006. The second defendant is a company incorporated in Singapore on 5 September 2006. The third defendant is a company incorporated in Singapore on 27 February 2007. Both these companies are engaged in the manufacture of industrial process control equipment and both have the first defendant as a director and shareholder.

3 Pursuant to O 29 r 1 of the Rules of Court (Cap 322, R5, 2006 Rev Ed) or the inherent jurisdiction of the court, the plaintiff seeks the following interim relief (see Summons No. 3736 of 2007 (Amendment No. 1)):

(a) an injunction restraining the defendants from using or disclosing the plaintiff's confidential information (as defined in paragraph 16 of the statement of claim) to any third party, including the method of monitoring of fuel consumption using flow meters and a float switch, the method of measuring engine revolutions per minute using a magnetic pick-up unit ("MPU"), purchase of satellite airtime from the plaintiff's vendor and the provision of after-sales service to the defendants' customers using the plaintiff's confidential information;

(b) an injunction restraining the defendants from infringing and/or authorising others to infringe the plaintiff's copyright in the computer programme (as defined in paragraph 6 of the statement of claim);

(c) an injunction restraining the defendants from infringing and/or authorising others to infringe the plaintiff's copyright in the Supervisory Control And Data Acquisition ("SCADA") Box;

(d) an order requiring the defendants to immediately inform the plaintiff's solicitors about the names and addresses of everyone to whom they have disclosed and/or used the plaintiff's confidential information, computer programme and SCADA Box.

4 Since 2002, the plaintiff has carried out research and development ("R&D") on a system for

remote monitoring of its tugboats. This system is called the Vessel Monitoring System ("VMS"). It is unique in that it allows a vessel operator to monitor a vessel from a remote location and be alerted when the operational parameters of the vessel are unusual. The VMS allows a vessel operator to be aware of pilferage or loss of fuel from the vessel for any trip and also to monitor remotely its engine performance and speed. There was no reliable or proven automation system in place capable of such functions before the plaintiff's VMS. Each VMS includes hardware components, such as a programmable logic controller ("PLC") and a MPU, the methodology of collecting and transmitting data via satellite, a software system for reading and processing real-time data and a battery-powered satellite receiver placed at the top of a vessel's navigational mast.

5 In February 2004, the plaintiff employed the first defendant as a systems engineer to assist in the R&D of its VMS. There was no formal letter of employment or written contract between the plaintiff and the first defendant. The first defendant's only prior experience in the maritime industry was when he worked for Pan United Shipyard between 1997 and 2001 where he was involved in shipbuilding and repair work. In the course of his employment with the plaintiff, the first defendant had access to and obtained an in-depth knowledge of confidential information relating to the VMS, as particularised in paragraph 22(a) to (s) of the statement of claim. Such confidential information was made available to him for the sole purpose of advancing the R&D of the VMS.

6 On 16 June 2006, Fleet Automation Services Pte Ltd ("Fleet"), the plaintiff's holding company for patents, filed a patent application for the VMS (Singapore Patent Application No. 2060604106-5). All the directors and shareholders of the plaintiff are also directors and shareholders of Fleet, which derived its right to be granted the patent application by way of assignment of the invention. The patent application has not been published and all details thereof remain confidential. The plaintiff is in the process of testing and refining its VMS.

7 On 1 August 2006, the first defendant gave one month's notice of his resignation to the plaintiff. He left the plaintiff's employ on 31 August 2006. Five days later, the second defendant was incorporated with a paid up capital of $200. The first defendant is a director of the second defendant. The second defendant began to place orders for key components of the VMS. Subsequently, on 27 February 2007, the third defendant was incorporated with a paid up capital of $300. The first defendant is also a director of the third defendant.

8 The plaintiff averred that the first defendant owed his employers a duty of good faith and fidelity and a duty, so long as the contract of employment subsisted, not to misuse any confidential information or to disclose it to a third party. The plaintiff also averred that, following the termination of his employment, the first defendant owed a duty not to use or disclose any trade secrets or other confidential information. It alleged that the defendants have manufactured and sold a VMS similar to the plaintiff's by using the plaintiff's trade secrets and by infringing its copyright in the computer programme for operating the plaintiff's VMS and in the drawing of a key component thereof. The defendants refer to their system as *On-Line Vehicle Management System*. For the purposes of this judgment, I shall refer to VMS as a generic term for a system that is capable of remote monitoring of vessels. The plaintiff therefore took out this application to stop the defendants from further breaches. Since the patent application has not been published, the application is also to prevent the defendants from further disclosing the confidential information contained in the patent application. The defendants deny the plaintiff's claims and allegations.

9 In *Singapore Press Holdings Ltd v Brown Noel Trading Pte Ltd & Ors* [1994] 3 SLR 151, the Court of Appeal said (at 158E):

> The principles governing the granting of interim injunctions, whether mandatory or prohibitory

were stated by this court in *Chuan Hong Petrol Station Pte Ltd v Shell Singapore (Pte) Ltd*.

The Court of Appeal in *Chuan Hong Petrol Station Pte Ltd v Shell Singapore (Pte) Ltd* [1992] 2 SLR 729 stated as follows (at 742H and 743F-G):

> In a normal case, following the guidelines in *American Cyanamid Company v Ethicon Ltd*, an interlocutory injunction may be granted on the applicant showing a serious question to be tried.
>
> …
>
> We respectfully agree with Hoffman J that it is important to distinguish between fundamental principle and what are sometimes described as 'guidelines', i.e. useful generalizations about the way to deal with the normal run of cases falling within a particular category. We agree with him that a fundamental principle is that the court should take whichever course appears to carry the lower risk of injustice if it should turn out to have been wrong at trial in the sense of granting relief to a party who fails to establish his rights at the trial, or of failing to grant relief to a party who succeeds at the trial. We agree with Hoffman J that the guidelines for the grant of both kinds of interlocutory injunctions are derived from this principle.

10 In the House of Lords' decision in *American Cyanamid Company v Ethicon Ltd* [1975] AC 396, Lord Diplock, with whom the other members of the court agreed, said (at 407G to 408F):

> The court no doubt must be satisfied that the claim is not frivolous or vexatious; in other words, that there is a serious question to be tried.
>
> It is no part of the court's function at this stage of the litigation to try to resolve conflicts of evidence on affidavit as to facts on which the claims of either party may ultimately depend nor to decide difficult questions of law which call for detailed argument and mature considerations. These are matters to be dealt with at the trial. One of the reasons for the introduction of the practice of requiring an undertaking as to damages upon the grant of an interlocutory injunction was that "it aided the court in doing that which was its great object, viz. abstaining from expressing any opinion upon the merits of the case until the hearing" … So unless the material available to the court at the hearing of the application for an interlocutory injunction fails to disclose that the plaintiff has any real prospect of succeeding in his claim for a permanent injunction at the trial, the court should go on to consider whether the balance of convenience lies in favour of granting or refusing the interlocutory relief that is sought.
>
> As to that, the governing principle is that the court should first consider whether, if the plaintiff were to succeed at the trial in establishing his right to a permanent injunction, he would be adequately compensated by an award of damages for the loss he would have sustained as a result of the defendant's continuing to do what was sought to be enjoined between the time of the application and the time of the trial. If damages in the measure recoverable at common law would be adequate remedy and the defendant would be in a financial position to pay them, no interlocutory injunction should normally be granted, however strong the plaintiff's claim appeared to be at that stage. If, on the other hand, damages would not provide an adequate remedy for the plaintiff in the event of his succeeding at the trial, the court should then consider whether, on the contrary hypothesis that the defendant were to succeed at the trial in establishing his right to do that which was sought to be enjoined, he would be adequately compensated under the plaintiff's undertaking as to damages for the loss he would have sustained by being prevented from doing so between the time of the application and the time of the trial. If damages in the measure recoverable under such an undertaking would be an adequate remedy and the plaintiff

would be in a financial position to pay them, there would be no reason upon this ground to refuse an interlocutory injunction.

It is where there is doubt as to the adequacy of the respective remedies in damages available to either party or to both, that the question of balance of convenience arises.

11 In *Faccenda Chicken Ltd v Fowler and others* [1987] Ch 117, the English Court of Appeal set out certain principles of law applicable to a case such as the present, one of which was the following:

> In order to determine whether any particular item of information falls within the implied term so as to prevent its use or disclosure by an employee after his employment has ceased, it is necessary to consider all the circumstances of the case. We are satisfied that the following matters are among those to which attention must be paid:
>
> (a) The nature of the employment. …
>
> (b) The nature of the information itself. In our judgment the information will only be protected if it can properly be classed as a trade secret or as material which, while not properly to be described as a trade secret, is in all the circumstances of such a highly confidential nature as to require the same protection as a trade secret eo nomine. … It is clearly impossible to provide a list of matters which will qualify as trade secrets or their equivalent. Secret processes of manufacture provide obvious examples, but innumerable other pieces of information are *capable* of being trade secrets, though the secrecy of some information may be only short-lived.
>
> (c) Whether the employer impressed on the employee the confidentiality of the information. …
>
> (d) Whether the relevant information can be easily isolated from other information which the employee is free to use or disclose. …

The principles stated by the English Court of Appeal were endorsed by our Court of Appeal in *Tang Siew Choy & Ors v Certact Pte Ltd* [1993] 3 SLR 44 (at 50-52).

12 The plaintiff averred that all information pertaining to the VMS are highly confidential and would constitute trade secrets. It has particularised in its statement of claim the information relating to its VMS. It has also given evidence on how the VMS was developed over time by testing various equipment and technology.

13 Further, its VMS is the subject of a patent application in Singapore. The first defendant was aware that such an application would be made once the plaintiff was confident about the VMS. Since the first defendant admitted that the VMS was developed in the course of his employment with the plaintiff, the "invention" therefore belonged to the plaintiff as employer pursuant to s 49(1)(a) and (b) of the Patents Act (Cap 221), although the rights therein have been assigned to Fleet. There was a draft assignment agreement whereby the first defendant, described as having "invented certain new and useful improvements for" the VMS, was to assign all rights in the invention to Fleet for a consideration of $1. The details of the VMS were set out compendiously in a schedule to the draft agreement as "Singapore patent application entitled "Vessel Monitoring System" filed on 15 June 2006". The plaintiff explained that the draft agreement was prepared before it was properly advised about s 49 of the Patents Act which made it clear that the rights in the invention belonged to the plaintiff. No assignment by the first defendant was therefore needed.

14 The information relating to the VMS is disclosed in the specifications in the patent application and would be protected by the patent if granted. Such information is still not in the public domain and would only cease to be confidential upon publication of the patent application. Although the defendants believe that the patent "will never be granted" and that there would be no adverse effect on the patent application in terms of prior use, the reality is that a serious patent application has been filed on a product which took several years to develop and it is not for the court in these proceedings to rule on the chances of that application succeeding.

15 The fact that the plaintiff has not yet sold a single unit of the VMS and that the defendants have so far installed only three units of its VMS would not render the protective remedy sought by the plaintiff unnecessary. Even if the defendants had not sold any VMS, it would be completely in order for the plaintiff to pre-empt any attempt at what it alleged was a misuse of confidential information. Even if the defendants were correct that "all the things can be purchased from the Internet" and the vendors of such were well known, the essence of an invention may lie in the knowledge of which parts to use and the ability to assemble all the disparate parts into a workable whole. The plaintiffs have shown that a lot of trial and error was involved before its VMS evolved into its present form. If something cannot be a trade secret because its component parts are widely available, there would be no secret recipes in the food industry. The question that must be asked is, would the defendants have known what components are needed and which is the best way of putting them together if they had not used the information that the plaintiff painstakingly learnt in its experiments?

16 The first defendant wrote the computer programme (as defined in paragraph 6 of the statement of claim) and did the SCADA Box drawing while developing the VMS during his employment in the plaintiff. By virtue of s 30(6) (read with s 7A) of the Copyright Act (Cap 63), the plaintiff is the owner of the copyright subsisting in the said computer programme and drawing. Section 10(1)(b) of the said Act provides that a reproduction, adaptation or copy of a work includes doing the same in respect of a substantial part of the work. It is therefore no defence to aver that no infringement of copyright has taken place merely because something has been added to or subtracted from the original.

17 The defendants say that the SCADA Box drawing "is basic which anyone can draw" and has "no sophisticated or unique specifications". Even if the work in question is not of a complex nature, Chao Hick Tin J in *Re AUVI Trademark* [1992] 1 SLR 639 has said (at 648G-I):

> The cases would appear to show that simplicity per se does not prevent a work from acquiring copyright. … Even drawings of things in common use such as engines and gear boxes are copyrightable. … As I see it, where an author has made use of an existing subject matter in creating his drawing, it is always a question of determining whether he has put in sufficient skill and labour to justify copyright protection for his result.

18 The evidence of the parties relating to the issue whether the computer programme and drawings of the defendants' VMS infringe the plaintiff's alleged copyright would have to be evaluated at the trial. The plaintiff's claims can hardly be said to be frivolous or vexatious.

19 In the light of all that I have discussed above, I am of the view that the plaintiff has raised serious questions to be tried. There is no need for me at this stage to make a finding that the information in issue is indeed of the nature of trade secrets or their equivalent or that copyright subsists in the said computer programme and the SCADA Box drawing. It is enough that the plaintiff has adduced adequate evidence to show that their contentions on these matters are not frivolous or vexatious. There is also sufficient evidence to show that the first defendant is either the controlling mind of the second and the third defendants or that he has at least a pivotal role in these two

companies by virtue of his capacities therein as director and shareholder and the fact that the two companies were incorporated within a short period of time after his departure from the plaintiff.

20 On the issue of whether damages would be an adequate remedy if the plaintiff should succeed at the trial, the defendants submit that all the court needs to do in assessing damages is to know how many units of VMS have been sold by the defendants and compensate the plaintiff accordingly. I accept that it would be easier to assess damages in terms of the number of units of VMS sold by the defendants (if the plaintiff succeeds at trial) than in terms of what the defendants could have sold (if the defendants succeed at trial). However, there is serious concern about the ability of the defendants to pay damages. The first defendant is an Indian national, living here as a Singapore permanent resident. He does not appear to have substantial assets here. The companies he is involved in are relatively new ones and have paid up capital of only $200 and $300 respectively. On the other hand, the plaintiff is a company with a track record in business, has tangible assets and a paid up capital of $500,000. It will in all probability be able to make good on its undertaking as to damages.

21 Further, the first defendant's livelihood and the second and third defendants' business are not going to be destroyed by the injunction sought. The first defendant is quite obviously an able and resourceful man. He has a professional degree. He is capable of developing systems in the other fields, such as factory automation, that he says he is working in as system engineer for the second defendant. The defendants have also not been in the business of producing VMS for a substantial period of time.

22 I need not concern myself at this stage with the first defendant's allegations of harassment by the plaintiff, such as allegedly sending thugs to his family home in India. They have no bearing on the issues at hand.

23 In the circumstances, I am of the opinion that the plaintiff should be granted the following relief until judgment is given or until further order, upon the plaintiff giving an undertaking as to damages:

(a) an injunction restraining the defendants from using or disclosing the plaintiff's confidential information (as defined in paragraph 16 of the statement of claim) to any third party without the consent or authorisation of the plaintiff;

(b) an injunction restraining the defendants from infringing and/or authorising others to infringe the plaintiff's alleged copyright in the computer programme as developed as at 31 August 2006 (as defined in paragraph 6 of the statement of claim);

(c) an injunction restraining the defendants from infringing and/or authorising others to infringe the plaintiff's alleged copyright in the SCADA Box drawing dated 14 July 2006;

I ordered costs of this application to be in the cause.

24 The defendants have appealed against the grant of the injunction set out in [23] (a) above.

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