OMG Holdings Pte Ltd *v* Pos Ad Sdn Bhd
[2011] SGHC 246

Case Number	: Suit No 253 of 2009
Decision Date	: 17 November 2011
Tribunal/Court	: High Court
Coram	: Andrew Ang J
Counsel Name(s)	: Pradeep G Pillai, Debby Lim and Lareina Tay (Shook Lin & Bok LLP) for the plaintiff; Daniel Koh, Dawn Noeline Tan and Dolly Er (Eldan Law LLP)for the defendant.
Parties	: OMG Holdings Pte Ltd — Pos Ad Sdn Bhd

Contract – Misrepresentation

Contract – Illegality and public policy – Restraint of trade

Tort – Passing off – Goodwill – Misrepresentation

Damage – Estoppel by convention

[LawNet Editorial Note: The appeal to this decision in Civil Appeal No 152 of 2011 was allowed in part by the Court of Appeal on 4 May 2012. See [2012] SGCA 36.]

17 November 2011 Judgment reserved.

Andrew Ang J:

Introduction

1 The facts of this case are actually fairly straightforward: the plaintiff licensor is suing the defendant licensee for arrears of royalty payments. However, the matter has been complicated by the defendant's counterclaims. OMG Holdings Pte Ltd ("the Plaintiff") is a company incorporated in Singapore that provides in-store advertising programs and products. It was formerly known as ActMedia Asia Pte Ltd. Pos Ad Sdn Bhd ("the Defendant") is a company incorporated in Malaysia which provides advertising media services to various brand owners for the marketing of their products in supermarkets across Malaysia.

2 On 30 June 1993, the Plaintiff entered into a master licence agreement ("the Master Licence Agreement") with a Canadian company known as ActMedia Canada Inc ("ActMedia Canada") which developed products and programs for the in-store advertising of consumer goods in supermarkets. Under the Master Licence Agreement, ActMedia Canada licensed to the Plaintiff the exclusive right to use the ActMedia system ("the Licensed System") within the countries of Singapore, Indonesia, Philippines, Thailand, Malaysia and Hong Kong. In return, the Plaintiff paid ActMedia Canada a royalty fee every quarter. The Plaintiff then sub-licensed these rights to the Defendant pursuant to a sub-licence agreement dated 1 July 1993 ("the 1993 Agreement").

3 In 2000, the Plaintiff and the Defendant signed a Surrender of Licence Agreement ("the Surrender Agreement") agreeing that the sub-licence should be surrendered absolutely effective from

22 April 1999 due to the termination of the Master Licence Agreement between the Plaintiff and ActMedia Canada. The 1993 Agreement was thus surrendered and subsequently replaced with another agreement dated 1 July 2002 whereby the Plaintiff licensed to the Defendant certain in-store advertising products and programmes ("the 2002 Agreement"). The 2002 Agreement expired and was subsequently replaced with an agreement dated 1 July 2004 ("the 2004 Agreement").

4 The Plaintiff is suing the Defendant for arrears of outstanding royalty payments under the 2004 Agreement for the period December 2007 to December 2008, *viz*, RM967,753.45 (as at 31 December 2008). It is not disputed that the Defendant has not paid this sum to the Plaintiff. The Plaintiff also claims that after the termination of the 2004 Agreement on 30 October 2007, the Defendant continues to use the products or copies of the products in breach of cl 9.3 of the 2004 Agreement. Accordingly, the Plaintiff claims for an account of all revenue received and profit generated from the continued use of the products, and seeks an injunction to restrain the Defendant's use.

5 The Defendant claims that there were misrepresentations in relation to all three agreements. Critically, the Defendant argues that the Plaintiff had represented that the latter had exclusive rights licensed to it by ActMedia Canada, and failed to inform the Defendant that the Master Licence Agreement contained a cl 1.3 which stated that the licensee had no right to sub-licence the Licensed System. Additionally, the Defendant argues that the Plaintiff failed to inform the Defendant that the Master Licence Agreement had been terminated on 22 April 1999.

6 The Defendant challenges the authenticity of the Surrender Agreement and claims that it was imprecise and erroneously prepared. It also alleges that the termination of the 2004 Agreement was wrongful. As such, the Defendant contends that the royalties it paid from 1993 to 2007 should be returned in light of the Plaintiff's misrepresentations. Additionally, the Defendant seeks an order that cl 9.3 of the 2004 Agreement, which obliges the Defendant to refrain from making use of the Licensed System and anything similar to the Licensed System upon the termination of the 2004 Agreement, amounts to an unreasonable restraint of trade and is therefore invalid.

Whether the Plaintiff made fraudulent misrepresentations to the Defendant in relation to the 1993 Agreement

7 It is trite law that to prove fraudulent misrepresentation the elements set out below must be satisfied: *Panatron Pte Ltd v Lee Cheow Lee* [2001] 2 SLR(R) 435 at [14] (following *Bradford Building Society v Borders* [1941] 2 All ER 205):

> ... First, there must be a representation of fact made by words or conduct. Second, the representation must be made with the intention that it should be acted upon by the plaintiff, or by a class of persons which includes the plaintiff. Third, it must be proved that the plaintiff had acted upon the false statement. Fourth, it must be proved that the plaintiff suffered damage by so doing. Fifth, the representation must be made with knowledge that it is false; it must be wilfully false, or at least made in the absence of any genuine belief that it is true.

8 Here, the Plaintiff's representation to the Defendant that it had obtained exclusive rights to this region from ActMedia Canada was not false as the Plaintiff was indeed the latter's exclusive licensee in this region. Even if the Plaintiff breached the terms of its Master Licence Agreement with ActMedia Canada by sub-licensing the Licensed System, this was principally a matter between the Plaintiff and ActMedia Canada that did not concern the Defendant so long as ActMedia Canada did not seek recourse against the Defendant. Additionally, as ActMedia Canada knew full well that the Plaintiff was sub-licensing the product, it effectively waived the restriction. In the correspondence between the Plaintiff and ActMedia Canada, the parties freely discussed the sub-licence to the Defendant: indeed,

the Plaintiff sent ActMedia Canada a spreadsheet detailing the payments of royalties from the Defendant in a telefax dated 16 December 1996. During this period, it was thus clear that ActMedia Canada expressly acknowledged the Defendant as a sub-licensee of the Plaintiff and as an associate of the ActMedia group: in fact, in an ActMedia contact list entitled "ActMedia–International Associates" dated 21 February 1996, the Defendant's name and address was listed as the ActMedia–International Associate in Malaysia. Furthermore, ActMedia Canada eventually entered into the 1997 Agreement with the Plaintiff to rationalise the sub-licensing and retroactively give express consent to it, albeit with conditions attached. It follows that it does not lie in the Defendant's mouth to object to the Plaintiff's breach of the terms of the Master Licence Agreement when ActMedia Canada neither objected to it nor brought any claim against the Defendant.

9 Even if we took the Defendant's case on misrepresentation at its highest, the Defendant failed to prove that it suffered any loss; on the contrary, it reaped substantial profits from the 1993 Agreement. The Defendant's managing director, Chew Keng Yong ("Chew"), clearly stated in his affidavit that the Licensed System, *viz*, "Shelf Vision" and "Shelf Banner", contributed to 60% of the Defendant's profits. He further admitted under cross-examination that during the period when the Defendant was the Plaintiff's licensee, the Defendant earned revenue of close to RM130 million from the sale of the licensed products. In view of the Defendant's inability to prove that it suffered loss as a result of relying on the alleged misrepresentations, its claim for fraudulent misrepresentation must fail. Indeed, I find that the Defendant utilised the Plaintiff's products and systems and reaped handsome profits, but is now simply seeking to take back the royalties it previously paid after having enjoyed the benefits of the Licensed System.

Whether the Plaintiff made misrepresentations to the Defendant in relation to the 2002 Agreement

10 The Defendant claims that it was relying on the Plaintiff's representation that the latter was the exclusive licensee of ActMedia Canada when the Defendant entered into the 2002 Agreement. The Defendant also claims that it did not know that the Master Licence Agreement had been terminated as the Plaintiff failed to inform the Defendant that the Master Licence Agreement had been terminated on 22 April 1999. However, I find the evidence of Chew to be contradictory and inconsistent with the Defendant's pleaded case. In his affidavit of evidence-in-chief, Chew stated that he had no idea that the Master Licence Agreement between ActMedia Canada and the Plaintiff had been terminated, such that the discovery of the termination in 2009 at a meeting with one Steve Lutz ("Lutz"), a former senior employee of the Plaintiff, came as a complete shock to him. He then further stated that the Plaintiff had deliberately and fraudulently concealed the termination from the Defendant, and confirmed this on the first day of cross-examination. However, when he was cross-examined on a different point during the second day of cross-examination, Chew admitted that actually he already knew about the termination in 2009, even before the meeting with Lutz but had "forgotten" about it. Counsel for the Plaintiff then confirmed with him: "So you knew about the termination, but you forgot?" and Chew replied, "Yes". This inconsistency undermined the Defendant's case that the Plaintiff had concealed the termination from the former.

11 Indeed, the parties had signed the Surrender Agreement agreeing that the sub-licence should be surrendered absolutely effective from 22 April 1999 due to the termination of the Master Licence Agreement between the Plaintiff and ActMedia Canada. This document was executed by Chew and witnessed by one Loh Ai Pheng, Chew's personal assistant. The document clearly bears Chew's signature and I find his claim in his affidavit of evidence-in-chief (that he did not understand the contents of the document but simply signed on the second page) difficult to believe. Moreover, in the very next sentence in the same affidavit, he contradicted himself by asserting that "[he could not] recall [the] document".

12 Chew’s attempt to rely on the defence of *non est factum* was doomed to fail. As pointed out in Beatson et al, *Anson’s Law of Contract* (Oxford University Press, 29th Ed, 2010) at p 259:

> It must be emphasized that the defence of *non est factum* is a narrow one. Those too lazy or too busy to read through a document before signing it cannot rely upon it. Nor can those who sign a document containing objectionable terms or terms the legal effect of which they are unaware. As Donovan LJ explained in *Muskham Finance Ltd v Howard* [[1963] 1 QB 904 at 912]:
>
> > ‘Much confusion and uncertainty would result in the field of contract and elsewhere if a man were permitted to try to disown his signature simply by asserting that he did not understand that which he had signed.’

As such, Chew cannot raise the defence of *non est factum* simply by asserting that he did not understand what he was signing.

13 Chew’s inconsistent evidence also severely undermined his credibility as a witness. In my view, he sought to disavow the Surrender Agreement realising that it would be fatal to his case that he was unaware of the termination of the Master Licence Agreement.

14 Therefore, I find untenable Chew’s allegation that the Surrender Agreement is inauthentic. The Surrender Agreement clearly referred to the Plaintiff and the Defendant, and unequivocally stated that the “Head Licence Agreement” (*ie*, the Master Licence Agreement) had been terminated and that neither party would have any claim against the other as a result of the surrender. Although the date of the 1993 Agreement was mistakenly stated as “20 July 1993” instead of “1 July 1993”, it cannot be disputed that at that time the only sub-licence agreement between the parties was the 1993 Agreement. I find that this was an innocent mistake, especially in light of the fact that the recital of the Surrender Agreement correctly stated that the sub-licence agreement commenced from 1 July 1993. Although the Surrender Agreement was not dated, it is not disputed that it was faxed out from the Defendant’s office on 28 June 2000. It is thus reasonable to assume that Chew executed the Surrender Agreement on that date and arranged for it to be faxed out from his office.

15 I also find that in 2002, when the Plaintiff entered into a fresh agreement with the Defendant, the Plaintiff did not recite or in any way suggest or imply that it was the licensee of ActMedia Canada. It follows that the 2002 Agreement must be viewed as an entirely fresh agreement between the parties, unconnected with the Licensed System under the Master Licence Agreement.

Time-bar and entire agreement clause

16 In light of the decision I have reached that there was no actionable misrepresentation on the Plaintiff’s part, it is unnecessary to deal with the Plaintiff’s defences to the Defendant’s counterclaim based on time-bar and the entire agreement clause.

Whether the 2004 Agreement was wrongfully terminated

First alleged wrongful termination

17 On 30 October 2007, the Plaintiff’s solicitors, Shook Lin & Bok LLP (“Shook Lin”) sent the Defendant a termination notice (“First Termination Notice”) stating that due to the Defendant’s breach of the confidentiality undertaking in cl 11 of the 2004 Agreement, the Plaintiff was exercising its right to terminate the 2004 Agreement. The Plaintiff alleged that Chew had contracted to sell his majority interest in the holding company of the licensee to a third party, and had allowed a due

diligence exercise which would have revealed confidential information of the Plaintiff in breach of the terms of the 2004 Agreement. The Defendant responded by denying the Plaintiff's allegations that a due diligence exercise had been conducted and asserting that the purported termination was wrongful. In Chew's first affidavit, he referred to the discussions with the third party as "informal talks" which were "never formalised in the form of an official offer". However, Chew did a *volte face* after being confronted with conflicting evidence in the Plaintiff's affidavit.

18 The Plaintiff's chief marketing officer, Ng Keng Ming ("Ng"), who handled the day-to-day running of the Plaintiff's in-store advertising business, deposed in his affidavit of evidence-in-chief that Chew had told him over the phone that due diligence had been completed and a sale and purchase agreement was to be executed soon, and that he (Ng) had prepared a contemporaneous note detailing the contents of the conversation. Faced with this evidence, Chew shifted his position and admitted in his subsequent affidavit that due diligence had been completed. He affirmed this again under cross-examination during the course of the trial. Again, Chew's inconsistent evidence eroded his credibility as a witness. I find that he initially denied that a due diligence exercise had been conducted as he sought make good his contention that the Plaintiff had terminated the contract without any grounds whatsoever, based merely on speculation about Chew's possible sale of a majority interest to a third party. As such, I find that the Defendant failed to prove that the Plaintiff's termination of the contract was wrongful.

19 In any event, subsequent to the issuance of the First Termination Notice, the Plaintiff and the Defendant entered into negotiations to attempt to resolve the dispute between them. During this period, the parties still treated the agreement as alive and continuing, and the Defendant continued to use the Licensed System. After a meeting at which Chew requested that the Plaintiff withdraw the First Termination Notice, the Plaintiff agreed to withdraw it by way of a letter from the Plaintiff's solicitors to the Defendant's solicitors. The letter of 25 June 2008 stated that:

> ... subsequent to the Termination Notice ... our respective clients had proceeded on the basis that the Media Agreement was alive.
>
> Our client hereby withdraws the Termination Notice with immediate effect.

Second alleged wrongful termination

20 In July 2008, in compliance with its contractual obligations under the 2004 Agreement, the Defendant submitted to the Plaintiff written reports relating to the gross revenues generated by the Defendant from the licensed operations for the months of December 2007 to May 2008. Pursuant to those reports, the Defendant admitted that the sum of RM877,216.45 was payable to the Plaintiff as royalties for the stipulated period. On 16 July 2008, the Plaintiff, through their solicitors Shook Lin, wrote to the Defendant's solicitors, Wong & Leow LLC ("Wong & Leow"), demanding payment within 14 days. No payment was received within the 14-day period. On 1 August 2008, Shook Lin wrote to Wong & Leow giving the requisite 30-day notice under cl 9.1 of the 2004 Agreement ("the Second Termination Notice"), which states thus:

> ... The Licensor and Licensee shall each have the right to terminate this Agreement upon notice in writing to the other party if such party defaults in the performance of any of the provisions made hereunder and, in the case of a default which can be remedied, such other party shall not have either (i) remedied such default to the satisfaction of the party not in default within 30 days after written demand by such party ...

The Defendant failed to make payment by the expiry of the 30-day period. Therefore, on 3 March

2009, Shook Lin wrote to the Defendant's then solicitors, Rajah & Tann LLP ("Rajah & Tann"), terminating the 2004 Agreement on the grounds that the Second Termination Notice was not complied with within 30 days of the date of the demand.

21 The Defendant contends that the termination was wrongful and is seeking damages. It submits that on 22 January 2009 it had paid the sum of RM967,753.46 to the Plaintiff, pursuant to a written e-mail agreement between Chew and the Plaintiff on 21 January 2009 that the Defendant would pay 50% of the royalties accrued from December 2007 to December 2008, with the balance to be paid at a later time to be agreed on. The Defendant asserts that the Plaintiff was not entitled to terminate the agreement on 3 March 2009 as the Plaintiff had waived its right to terminate by its conduct in making this agreement. However, a closer scrutiny of the e-mail agreement reveals that the third clause in the agreement stipulated that:

> We agreed to work towards the signing of the new addendums [*sic*] by end Feb 2009 (27/2/2009).
>
> Meanwhile and until the new addendums [*sic*] have been entered into, on behalf of OMG, all rights under the license agreements are reserved.

22 A further letter was sent by Shook Lin to Rajah & Tann on 29 January 2009 with content similar to the e-mail agreement. As such, it is clear that the agreement to allow the Defendant to pay 50% of the royalties first was linked to the condition that the parties would enter into a new addendum. In a telephone conversation on 20 February 2009, the Defendant asked for more time to execute the addenda and pay the outstanding royalties which it claimed was its leverage. This was followed by a letter from Shook Lin to Rajah & Tann stating that the payments:

> ... were to facilitate the conduct of further negotiations leading up to the execution of new agreements or addenda by latest 27 February 2009, failing which our clients will proceed to enforce their strict legal rights under the Media Agreement, Demo Agreement and/or in law. [emphasis in original]

However, the Defendant did not take any steps to execute the new addenda and failed to revert to the Plaintiff as promised.

23 On 25 February 2009, the Plaintiff then sent Chew an e-mail stating that it had yet to hear from him, that it was setting a firm deadline through its lawyers, and urging him to sign the addenda. The following extracts from the letter are relevant:

> You have said that you will call me but todate [*sic*], I have yet to hear from you.
>
> …
>
> I have tried all means and bend over backwards to get this to progress but to no avail. ...
>
> Raymond, may I humbly urge you to see the potential and future of the business and drop old baggage so that with the remaining few days we could work it out by completing and signing the addenda.

The Plaintiff then sent another letter dated 25 February 2009, through Shook Lin to Rajah & Tann, giving the Defendant an ultimatum of 9.00am on 2 March 2009 to execute the addendum. However, neither the Defendant nor Rajah & Tann responded to any of the above correspondence and the

Defendant failed to execute the addenda by the stipulated time. The Plaintiff then issued the Second Termination Notice on 3 March 2009.

24 In light of the terms of the e-mail agreement and the Defendant's conduct in failing to comply with its terms, I find that the Defendant failed to discharge its burden of proving that the Plaintiff wrongfully terminated the 2004 Agreement. I find that it was a condition of the e-mail agreement that the Defendant would sign the new addenda by the end of February 2009, failing which the Plaintiff could exercise its right to terminate the contract. As the Defendant failed to take any steps towards signing the new addenda despite the Plaintiff's multiple calls and letters urging the former to do so, including the ultimatum of 25 February 2009, I hold that the Plaintiff was entitled to exercise its right to terminate the 2004 Agreement.

Whether cl 9.3 of the 2004 Agreement was a restraint of trade clause

25 In the amended Statement of Claim (Amendment No 2), the Plaintiff sought an injunction "restraining [the Defendant] from using the Licensed System or any part thereof". It further sought an injunction restraining the Defendant from:

> (i) Using the Cloned Products;
>
> (ii) Passing off … the Plaintiff's Licensed System and/or Licensed Products as their own (either by way of name and/or get up) in the form of the Cloned Products or otherwise and making representations to this effect.

26 In its Counterclaim, the Defendant sought a declaration that cl 9.3 of the 2004 Agreement was an unreasonable restraint of trade clause that ought to be found void and struck out. Counsel for the Defendant argued that cl 9.3 was a restraint of trade clause as it satisfied the test adopted by the Court of Appeal in *National Aerated Water Co Pte Ltd v Monarch Co, Inc* [2000] 1 SLR(R) 74 at [27], following *Petrofina (Gt. Britain) Ltd v Martin* [1966] Ch 146, *viz*, whether the clause purported to "restrict [the Defendant's] liberty in the future to carry on trade with other persons not parties to the contract in such manner as he chooses".

27 Clause 9.3 of the 2004 Agreement reads thus:

> Upon the termination of this Agreement … the Licensee shall retain no rights to the Licensed System or any part thereof, all such rights having been deemed to have been surrendered to the Licensor. For the avoidance of doubt, the Licensee hereby agrees that upon the termination of this Agreement, it will refrain from making use of the Licensed System, or any part thereof, or anything resembling or similar to the said system.

However, the difficulty arises from the vague and amorphous definition of "the Licensed System". In Recital 2 of the 2004 Agreement, the Licensed System was defined thus: "the Name, Licensed Marks and Licensed Products [are] collectively referred to as 'the Licensed System'." However, the term "Name" was not defined. The term "Licensed Marks" was vaguely defined as "various logos and intellectual property" without further specification. Only the term "Licensed Products" was set out with some particularity in Schedule A, where various hardware products such as "Shelf Vision" and "Cart Vision" were listed. Tellingly, under cross-examination, Ng admitted that he was not entirely sure what was covered by the terms "Licensed Marks" and "Name" as they were not clearly defined in the 2004 Agreement.

28 Furthermore, despite initially refusing the Defendant's request for further and better particulars

as to what the Licensed System comprised, the Plaintiff later amended the Statement of Claim to include a broad and vague list of nebulously defined items that were said to be part of the Licensed System. Even a cursory examination of the list would reveal that the alleged Licensed System as so defined is too broad and vague to be reasonable in protecting a legitimate interest on the part of the Plaintiff. The list includes such expansive formulations as "the innovative concept of using the '5-senses' in relation to in-store advertising". Item (ii) in the list, *viz*, "the knowledge, methodology and know-how for in-store advertising and sales strategies" – again is very extensive. The Plaintiff cannot attempt to protect mere ideas in such a draconian manner.

29 As though the sweep of the definition of "Licensed System" was not wide enough, cl 9.3 went on to prohibit the Defendant from engaging in "anything resembling or similar to the said system". In short, cl 9.3 appears to restrict the Defendant from participating in the in-store advertising business altogether. Quite apart from the legitimacy of the interest it seeks to protect, I find that cl 9.3 is simply too wide to be reasonable.

Passing off

30 The next issue that arises is the Plaintiff's alternative claim for inverse passing off. It should be noted that the Plaintiff is suing for a tort allegedly committed in a foreign jurisdiction. Although it was not raised by either party, a preliminary question that should be considered is whether, given the state of the pleadings, the court can restrain the acts of passing off that occurred outside Singapore.

31 The learned author of *The Law of Passing-off* (Sweet & Maxwell, 4th Ed, 2011), Christopher Wadlow, at para 10–063 observed as follows:

> ... it came to be recognised that conduct in a foreign country which would have been actionable as passing-off had it occurred in England could be restrained by the English courts, and damages awarded, if the latter had personal jurisdiction over the defendant ...

32 The Defendant argued that the Plaintiff must show that it possessed goodwill in its goods and services in both the country of the alleged tort of passing (*ie*, Malaysia) and the country in which the claim was brought (*ie*, Singapore). This is not, strictly speaking, conceptually correct. It is not disputed that the court has personal jurisdiction over the Defendant, and hence jurisdiction to hear the claim for passing off. However, it may be relevant to consider whether the Plaintiff was required to plead and prove Malaysian law in relation to passing off given that all the alleged acts of passing off occurred in Malaysia.

33 As a starting point, the applicable choice of law rule is the "double actionability rule" formulated by Willes J in *Phillips v Eyre* (1870) LR 6 QB 1 ("*Phillips*") at 28–29 where the learned judge observed thus:

> ... As a general rule, in order to found a suit in England for a wrong alleged to have been committed abroad, two conditions must be fulfilled. First, the wrong must be of such a character that it would have been actionable if committed in England; ... Secondly, the act must not have been justifiable by the law of the place where it was done. ...

Thus, in order a for tort committed abroad to be actionable in England (a) the wrong had to be of such a character as to be actionable under English law (the *lex fori*) if it were committed in England; and (b) the act had also to be actionable under the law of the country where it was committed (the *lex loci delicti*). Both limbs had to be satisfied.

34 This was later modified by the House of Lords' decision in *Boys v Chaplin* [1971] AC 356. Although the House of Lords affirmed the double actionability rule, an exception was introduced in the speeches of Lords Wilberforce and Hodson, admitting of the possibility that under certain circumstances a foreign tort might still be actionable in England even though it was not actionable under the *lex loci delicti*. Then followed the Privy Council decision in *Red Sea Insurance Co Ltd v Bouygues SA* [1995] 1 AC 190 ("the *Red Sea* case") which further extended the exception so that "[it] could equally be invoked to disapply the *lex fori* (the first [limb] of the rule of double actionability) and to secure the sole application of the *lex loci delicti commissi*" (Dicey, Morris and Collins, *The Conflicts of Laws* (Sweet & Maxwell, 14th Ed, 2006) ("*Dicey & Morris*") vol 2 at para 35-007).

35 The double actionability rule as modified by the exception in *Boys v Chaplin* and the *Red Sea* case has been held by our Court of Appeal to be the law in Singapore: see *Parno v SC Marine Pte Ltd* [1999] 3 SLR(R) 377 at [36] and *Rickshaw Investments Ltd v Nicolai Baron von Uexkull* [2007] 1 SLR(R) 377 ("*Rickshaw Investments*") at [53]–[56]. Thus, the position in Singapore is that the double actionability rule applies but under certain circumstances the wrong committed abroad might still be actionable in Singapore even though either of the two limbs referred to above is not satisfied: see *Rickshaw Investments* at [56].

36 Doubts, however, remain as to when the exception could be invoked and as to the circumstances which would warrant its application in particular cases (see *Dicey & Morris* vol 2 at para 35-008). Fortunately, it is not necessary for the purposes of this case to determine the boundaries of the exception.

37 In relation to the second limb of the rule in *Phillips*, the court in *Alteco Chemical Pte Ltd v Chong Yean Wah* [1999] 2 SLR(R) 915 at [48] emphasised the importance of pleading foreign law:

> *Foreign passing off* occurs when production and palming off occur in a foreign country and nothing happens in the land of the forum. ***In such a case, as all the factors are foreign, foreign law becomes very material.*** It must be shown by the claimant that it is actionable by the law of the country where the palming off takes place. The proposition of private international law that foreign law is *prima facie* presumed to be same as the law of the forum does not apply. [emphasis in original in italics, emphasis added in bold italics]

38 The Plaintiff in the present case has not specifically pleaded the law of passing off as it stands in Malaysia. In the absence of pleadings on foreign law, "the court will in principle decide a case containing foreign elements as though it were a purely domestic case" *Dicey & Morris* ([34] *supra*) vol 1 at para 9-003 . In other words, the court will presume the position under foreign law to be the same as that under the *lex fori* (*Rickshaw Investments* at [43]; *Goh Chok Tong v Tang Liang Hong* [1997] 1 SLR(R) 811 at [84]; see also *Halsbury's Laws of Singapore*, vol 6(2) (LexisNexis, 2009), para 75.300) ("*Halsbury's Singapore*")).

39 However, the presumption that the position under foreign law is similar to the *lex fori* does not apply in every case. I note the observations in *D'Oz International Pte Ltd v PSB Corp Pte Ltd and another appeal* [2010] 3 SLR 267 at [25] that:

> ... the presumption [of similarity of laws] is a rule of convenience which the courts may resort to unless it is unjust and inconvenient to do so. ... Whether a common law court will presume foreign law to be the same as the *lex fori* in any case where foreign law is not pleaded or not proved (if pleaded) depends on the circumstances of each case. The question that is ordinarily asked when the presumption is invoked is whether, in the circumstances of the case, it would be

> unjust to apply it against a party so as to make him liable on a claim subject to foreign law when the claimant has failed to prove what the foreign law is and how liability is established under that foreign law ...

One situation in which the presumption may not apply is where an injunction is sought to restrain a wrong committed in the foreign jurisdiction (*Halsbury's Singapore* at para 75.300). Proof of civil liability in the foreign jurisdiction may be necessary.

40 An examination of a few cases on this point is apposite. In *Alfred Dunhill v Sunoptic SA* [1979] FSR 337 ("*Alfred Dunhill*"), the plaintiffs sought a worldwide interlocutory injunction to restrain the defendant from using the word "DUNHILL" on the defendant's sunglasses and spectacle frames in multiple countries. The English Court of Appeal granted an interlocutory injunction restraining the defendant from carrying on acts of passing off in England and Switzerland. There was evidence that under Swiss law, the Swiss courts would have restrained the defendant's acts on proof of confusion. However, the interlocutory injunction was refused in respect of other countries because the plaintiff had not adduced evidence of the local law in those jurisdictions (*Alfred Dunhill* at 368).

41 The case of *An Bord Trachtala v Waterford Foods plc* [1994] FSR 316 is also relevant. The plaintiffs sought to injunct the defendant from using an allegedly similar logo on products marketed and distributed in England. The High Court of Ireland applied the double actionability rule. The plaintiff relied on a letter from English solicitors on the law of passing off in England to satisfy the second limb of the double actionability rule. However, the interlocutory injunction was refused because the plaintiff failed to satisfy the court that the defendant's activities in England would have amounted to passing off. I similarly hold in the present case that the double actionability rule applies and that the presumption that the position under Malaysian law is the same as under Singapore law does not apply.

42 The Plaintiff did not submit on the applicability of the double actionability rule nor plead Malaysian law in relation to passing off. Although the Plaintiff relied on the Malaysian case of *Seet Chuan Seng v Tee Yih Jia Foods Manufacturing Pte Ltd* [1994] 2 MLJ 770 which affirmed principles of passing off which were similar to those under Singapore law, that is neither pleading nor proof of Malaysian law. In any event, even if I accept that the principles of passing off under Singapore law should be applied in the present case, for the reasons which follow, the Plaintiff would not succeed in its claim for inverse passing off.

Elements of passing off

43 The Court of Appeal in *Novelty Pte Ltd v Amanresorts Ltd* [2009] 3 SLR(R) 216 at [37] set out the "three clearly identifiable core concepts which are fundamental to a passing off action, namely, goodwill, misrepresentation and damage". The court followed Lord Oliver's holding in *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 WLR 491 ("the *Jif Lemon* case") where his Lordship stated (at 499):

> ... The law of passing off can be summarised in one short general proposition – no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed. These are three in number. First, he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get-up' (whether it consists simply of a brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or

not intentional) leading or likely to lead the public to believe that goods or services offered by [the defendant] are the goods or services of the plaintiff. Whether the public is aware of the plaintiff's identity as the manufacturer or supplier of the goods or services is immaterial, as long as [the goods or services] are identified with a particular source which is in fact the plaintiff. For example, if the public is accustomed to rely upon a particular brand name in purchasing goods of a particular description, it matters not at all that there is little or no public awareness of the identity of the proprietor of the brand name. Thirdly, he must demonstrate that he suffers or, in a quia timet action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff.

44 In the case of inverse passing off, the defendant misrepresents the plaintiff's goods or services as his own: *Tessensohn Denyse Bernadette v John Robert Powers School Inc* [1994] 1 SLR(R) 470 ("*Tessensohn*"). The Court of Appeal in *Tessensohn* affirmed at [25] that:

> ... The three essential elements of passing off *equally apply* to such [*ie*, inverse] passing off as well. Therefore, to succeed in an action for inverse passing off, a plaintiff must prove that there is goodwill attached to their goods or services; that the defendants misrepresented themselves as the commercial source of the goods or services in question; and that the plaintiff's goodwill was damaged as a consequence. [emphasis added]

This was similarly affirmed in *QB Net Co Ltd v Earnson Management (S) Pte Ltd* [2007] 1 SLR 1 ("*QB Net*") at [16].

Goodwill

45 The first element that the Plaintiff must establish is goodwill. There are two issues relating to goodwill which must be shown:

> (a) that the Plaintiff has trade within the jurisdiction (*ie*, Malaysia) to which goodwill attaches;
>
> (b) that goodwill subsisted in the names and get-up of the Plaintiff's Licensed System or Licensed Products.

Trade within the jurisdiction to which goodwill attaches

46 Goodwill has been defined as "the benefit and advantage of the good name, reputation, and connection of a business ... the attractive force which brings in custom" (see: *The Commissioners of Inland Revenue v Muller & Co's Margarine Limited* [1901] AC 217 at 223–224). As a general rule, goodwill subsists only where a trader has business presence in the jurisdiction (*CDL Hotels International Ltd v Pontiac Marina Pte Ltd* [1998] 1 SLR(R) 975 at [46] ("*CDL Hotels*"); *Star Industrial Co Ltd v Yap Kwee Kor* [1974–1976] SLR(R) 17). Goodwill cannot exist independently but is attached to a business. It is not sufficient to show that a trader has reputation without business presence in the jurisdiction (*CDL Hotels* at [50]).

47 A foreign licensor, like the Plaintiff, who supplies products to a licensee can have goodwill in the jurisdiction in which the licensee operates. This proposition was not disputed in *QB Net* ([44] *supra*) and *Kickapoo (Malaysia) Sdn Bhd v The Monarch Beverage Co (Europe) Ltd* [2010] 1 SLR 1212 ("*Monarch*"). The licensors in *QB Net* and *Monarch* did not operate their business directly in Singapore but entered into licence agreements with local proprietors to supply products and services. It was not disputed that the foreign licensors could establish goodwill despite not operating in their own right in

Singapore.

48 In *Monarch*, the court considered that the more contentious issue was whether the goodwill subsisted with the licensor or licensee on the facts. The House of Lords in *Scandecor Developments AB v Scandecor Marketing AB* [2002] FSR 7 ("*Scandecor*") suggested that the business source indicated by a trade mark could be the licensee or the licensor, depending on the facts. The English Court of Appeal took a "wider interpretation" that the source of a mark may either be the proprietor of the mark or its licensee (*Scandecor* at [38]). This had implications for the law of passing off because it would be difficult for a licensor to succeed in an action for passing off against a licensee if the public associates the goods with the licensee and not the licensor (*Monarch* at [44]).

49 While the approach in *Scandecor* was seen as a "commercially sensible one", Andrew Phang JA, in *Monarch*, opined that much caution must be exercised in deciding whether to adopt this approach (*Monarch* at [45]). Phang JA was of the view that it would be preferable to await further developments in this area of the law before adopting the approach in *Scandecor*. He highlighted that *Scandecor's* approach would lead to several points of uncertainty. First, it would mean that a trade mark proprietor who licenses his trade mark always risks the loss of distinctiveness in his mark. This has legal and commercial implications for many licensing arrangements (*Monarch* at [48]). Second, the reasoning in *Scandecor* appears to be consistent with exclusive bare licences but not necessarily non-exclusive licences (*Monarch* at [49]). Third, *Scandecor* has not "gained much traction in other common law jurisdictions" (*Monarch* at [50]). Phang JA further observed that the *Scandecor* approach is heavily fact-dependent and the onus is on the defendant to demonstrate that the public no longer associates the trade source of the products with the licensor. He noted at [53] that:

> A few concluding observations might be apposite. Although, as mentioned above (at [45]), we do not propose to express a concluded view as to which approach is preferable, our emphasis on the importance of the particular factual matrix as expressed in the preceding paragraph may, in fact, give us a clue as to whether or not both approaches (*viz*, the traditional approach on the one hand and the more modern approach as embodied in Lord Nicholls's approach in *Scandecor* ([37] *supra*) on the other) are, in fact, *wholly* irreconciliable ones. It appears to us – and this is but a ***passing observation*** , and no more – that *yet another possible* approach which might well constitute a ***' middle way' between both the approaches just mentioned is to adopt, as a starting-point (by way of a rebuttable presumption), the traditional approach (viz, that the source of the goods concerned is the trade mark proprietor)*** **.** This presumption, however, can be rebutted by clear evidence along the lines set out in the preceding paragraph. It might well be argued that this is, in *substance*, Lord Nicholls's modern approach – not least because, under that approach, the defendant would have (as mentioned in the preceding paragraph) to adduce convincing facts in order to demonstrate that a shift of association (from the trade mark proprietor to the licensee) has occurred. If so, then the case in favour of this 'middle way' becomes an *a fortiori* one. However, as already emphasised above (in the preceding paragraph) this particular legal conundrum was not directly before the court and it cannot be overemphasised that, *regardless of the approach applied*, the result would have been *the same* in any event. [emphasis in original in italics; emphasis added in bold italics]

50 In the present case, the Plaintiff did not operate directly in Malaysia. However, the Plaintiff supplied the Licensed System and Licensed Products to the Defendant who in turn provided in-store advertising media services in Malaysia. It is possible for the Plaintiff to acquire goodwill in Malaysia through the licensing of its system and products to the Defendant. The Defendant maintained that while it is clear that the Defendant possessed goodwill in the in-store advertising business in Malaysia, the Plaintiff has not shown proof that it has goodwill in Malaysia. The Defendant did not argue, however, that *Scandecor* should be followed. The Court of Appeal has suspended adopting a definitive

view on whether *Scandecor*'s approach applies in Singapore and, in any event, my decision on whether to adopt *Scandecor*'s approach is not strictly necessary to dispose of the issue of goodwill. I thus prefer to proceed on the basis that the Plaintiff may have goodwill in Malaysia notwithstanding that it does not carry on business there.

Goodwill in the name and get-up of the Plaintiff's Licensed Products

51 The Plaintiff appeared to claim goodwill in the following aspects of its Licensed System:

(a) The names of its Licensed Products such as "Shelf Vision" and "Cart Vision";

(b) The innovative concept of using the "5-senses" in relation to in-store advertising;

(c) The knowledge, methodology and know-how for in-store advertising and sales strategies and in implementing the Licensed Products to achieve maximum benefit for marketers and retailers;

(d) Services to train and support the Plaintiff's licensees with techniques and with new Licensed Products developed by the Plaintiffs during the term of the 2004 Agreement;

(e) Services to engage retailers and/or marketers on behalf or in tandem with the Plaintiff's licensees;

(f) The use of distinctive red shelf-mounting brackets and other brackets holding perpendicularly a mounted advertising boarding that engages one or more of a consumer's senses, brand-framed electronic LCD/TV advertisement displays, shelf-mounted sample dispensers, trolley mounted advertisements, and other customised materials supplied in connection with the Agreement.

52 The subject matter in which the Plaintiff alleges it had goodwill can be classified into three broad categories:

(a) Names of the Licensed Products;

(b) Get-up of the Licensed System and Licensed Products; and

(c) Methodology of in-store advertising and other services.

(1) Names of the Licensed Products

53 The Plaintiff claims goodwill in the names of the Licensed Products, including "Shelf Vision" (for advertisements mounted on shelves) and "Cart Vision (for advertisements mounted on supermarket trolleys). The names of the Plaintiff's Licensed Products are undoubtedly descriptive. In relation to descriptive marks, the Court of Appeal in *Lifestyle 1.99 Pte Ltd v S$1.99 Pte Ltd* [2000] 1 SLR(R) 687 ("*Lifestyle 1.99*") held that the threshold for proving goodwill is high. The Plaintiff must show that the mark acquired a secondary meaning, *ie*, that the mark has become distinctive of the plaintiff's business (*Lifestyle 1.99* at [27]).

54 The Plaintiff, however, has not adduced any evidence to prove this. Evidence from a survey relied on by the Plaintiff ([60] *infra*) did not establish that the Plaintiff had goodwill in names of the Licensed Products. The survey participants, comprising of food product manufacturers, retailers and media agencies, were not asked whether they would associate the names of the Licensed Products

with the products and services of the Plaintiff. (Significantly, on 9 September 2000, the arbitral tribunal that adjudicated a dispute between the Plaintiff and ActMedia Canada held that the Plaintiff did not have goodwill in the names of the Licensed Products including "Shelf Vision", "Instant Coupon Machine" and "Freezer Vision" in the Asia Pacific region, but that the goodwill belonged instead to ActMedia Canada.)

(2) The Get-up of the Licensed System and Licensed Products

55 The tort of passing off protects goodwill associated with packaging and trade dress: "A person may acquire goodwill through use of particular packaging or get-up for their products." See: Bently and Sherman, *Intellectual Property Law* (Oxford University Press, 3rd Ed, 2009) at p 732. However, the court has noted that the threshold for establishing goodwill in respect of "get-up" is high. In *QB Net* ([44] *supra*), Lai Siu Chiu J held thus at [26]:

> ... the threshold for establishing goodwill in this respect is generally quite high. A plaintiff who asserts goodwill in its get-up must show the presence of particular features in its goods and services which are 'capricious' (*ie*, not common to the trade) but which have come to be associated with the plaintiff's goods. A plaintiff thus faces a difficult task in proving goodwill and he will fail unless he can adduce 'strong persuasive evidence' in this respect: ...

56 In Tan Tee Jim, *Law of Trade Marks and Passing Off in Singapore* (Sweet & Maxwell Asia, 2005) ("*Tan Tee Jim*") the learned author observed at para 17.39 that:

> ... a particular feature of goods or services can be regarded as capricious if it is arbitrarily chosen from a broad range of equally acceptable alternatives. The feature is not capricious if it is rationally dictated by demands of function, efficiency, cost of production, available materials and the like considerations.

57 The courts will not protect get-up that is "common to the trade" under the tort of passing off. The Plaintiff must show that the get-up of the Licensed System is capricious and associated with its goods and services. The court in *QB Net* found that the elements comprising the QB House ten-minute express haircut services system, such as the lack of both cash registers and reservations systems were not distinctive features that were associated with the plaintiff's services. These elements could be easily observed by members of the public and were well documented in the hairdressing industry (at [28]):

> ... While it is arguable that the plaintiff's use of a ticket-vending machine, electronic sensors and a no-reservations system are unusual features of a haircut salon, these factors in themselves are insufficient to warrant a finding of goodwill. It should be noted that the plaintiff's use of a special vacuum cleaner to remove freshly cut hair, the use of working cabinets which minimise the movement of hairdressers whilst at work and the ten-minute service offered by the plaintiff are insufficiently distinctive to support a finding of goodwill. After all, it can be argued that this particular style or get-up is characteristic of the haircut trade and open for all in that trade to adopt, as long as sufficient care is taken to distinguish the source of the services and products in question.

58 The Plaintiff is trying to assert goodwill in the use of red shelf-mounting brackets which hold up mounted advertising boards that engage one or more of the five senses. It also claimed goodwill in an amorphous "innovative concept of using the '5 senses' in relation to in-store advertising". I find the use of shelf-mounted advertisements and the concept of engaging the five senses through in-store advertising very general marketing ideas employed by various players in the in-store advertising

market. There could not be said to be a capricious addition in the get-up of the Licensed Products that have come to be associated with the Plaintiff's goods and was sufficiently distinctive to form the subject matter of goodwill. The "look and feel" of the shelf-mounted advertisements depended on how the products displayed could be best advertised. There were no features in the shelf-mounted advertisements or red shelf brackets that were capricious features indicative of the Plaintiff's goods and services.

59 In addition, the Plaintiff has not adduced sufficient evidence to show that the Malaysian public associated the get-up of the Licensed System or Licensed Products with the Plaintiff's products and services. In *Tan Tee Jim* ([56] *supra*), the author notes at para 17.17 that "in practice, the owner usually proves the existence of reputation and goodwill by … showing that a substantial section of the public associates him with the mark". This is especially crucial where the get-up of the goods or services is common to the trade. He further observes that such cases "require strong persuasive evidence" to succeed. In the *Jif Lemon* case ([43] *supra*), the plaintiff managed to adduce sufficient evidence to show that the public associated its lemon-shaped squeeze pack containing lemon juice with goods originating from "Jif".

60 I find that the Plaintiff failed to prove that it had goodwill in the Licensed System. The Plaintiff's counsel pointed me to a survey conducted by the Defendant in 2010 which indicated that 39% of the survey sample identified "ActMedia" as one of the companies providing in-store advertising services in Malaysia. However, this is insufficient evidence for two reasons.

61 First, this survey merely demonstrates that the public had general recognition of the ActMedia name. Further, it appears that there was little or no recognition of the Plaintiff's name "OMG Holdings", which it adopted with effect from 7 November 2006. In any event, the tort of passing off does not protect a name *per se*, but rather the owner's goodwill in the business under that name or the goods or services which he supplies.

62 Second, the 39% prompted recall of the ActMedia name does not show that the Plaintiff had any goodwill in the products or concepts that allegedly form part of the Licensed System. The survey participants were simply asked whether they were aware that ActMedia operated in Malaysia. They were not asked whether they associated certain features of in-store advertisements with a particular source that was in fact the Plaintiff.

63 Pursuant to the Settlement Agreement between the Plaintiff and ActMedia Canada (entered into after arbitral proceedings), the Plaintiff does not even have the rights to the ActMedia name or goodwill in the Licensed System. Indeed, in the present action the Plaintiff did not make it entirely clear which Licensed System it was claiming to hold goodwill in: was it the licensed system as sub-licensed from ActMedia Canada and defined in the 1993 Agreement, or the "Licensed System" as defined in the 2002 and 2004 Agreements post-termination of the Plaintiff's relationship with ActMedia Canada? If the Plaintiff is claiming goodwill in the former, it seems somewhat of a stretch to say that the Plaintiff continued to have goodwill in the Licensed System where the Master Licence Agreement had already been terminated. If the Plaintiff is claiming goodwill in the latter, *ie*, the "Licensed System" as defined in the 2002 and 2004 Agreements, it has not adduced evidence to prove that it has goodwill in the get-up of the Licensed System or the names of the Licensed Products such as "Shelf Vision" and "Cart Vision".

(3) Methodology of in-store advertising and other services

64 The Plaintiff further tries to allege goodwill in its methodology and know-how for in-store advertising. To establish goodwill in a particular sales methodology is not an easy task. The plaintiff in

OTO Bodycare Pte Ltd v Hiew Keat Foong [2005] SGHC 133 claimed, *inter alia*, that the defendant's use of a similar sales methodology confused purchasers into buying the defendant's products, thinking that they were the plaintiff's. The plaintiff frequently displayed its products in open spaces and road shows for customers to try them out. The court found that there was no passing off in relation to this sales methodology because the plaintiff's sales methodology did not appear to be particularly unique. Similarly, I find that the Plaintiff's Licensed System comprised simply of general marketing strategies intended to bring the consumer's attention to the products advertised. There were no unique features in the Plaintiff's advertising methodology that could be said to be associated exclusively with the Plaintiff's goods or services.

(4) Whether the Plaintiff could establish goodwill by estoppel

65 The Plaintiff further asserts that, in any event, the issue of existence and accrual of goodwill was already decided by agreement between the parties, and the element of goodwill is thus satisfied. This argument appears attractive at first blush. The Plaintiff relies on Recital (1) of the 2004 Agreement which stated that "the Licensor [the Plaintiff] has developed significant goodwill in the Asia market". The Plaintiff also cited the following passage from *The Law of Passing-off* ([31] *supra*) at para 3–147:

> If the commercial purpose of an agreement is to license the use of a *distinctive name or mark* in respect of which the licensor has (or is agreed to have) goodwill, to a licensee who has (or is agreed to have) no such goodwill, and and in circumstances where the licensee's use would *otherwise be actionable as passing-off*, then in the absence of agreement to the contrary or other supervening factors, the goodwill in the business so carried on by the licensee under the licensed name or mark will accrue to the licensor rather than the licensee. ... The licensee acquires no interest in the licensed name or mark, and must cease using it on termination of the licence. ... It is irrelevant whether the goodwill in the licensed business would otherwise have accrued to the licensee, the licensor, or both. ... [emphasis added]

66 I doubt that the Plaintiff's reliance on the foregoing passage in *The Law of Passing-Off* advances its case. Read in context, the learned author of *The Law of Passing-off* was referring to the vesting (*ie*, ownership) of goodwill, and not the establishment of the *existence* of goodwill, by agreement. Further, the learned author's observations were premised on there being "a distinctive name or mark", and where the licensee's use would *otherwise* be actionable as passing off. He was not suggesting that agreed facts in a recital could establish the existence of goodwill *per se*. I should add, however, that the learned author of *The Law of Passing-off* went on to observe at para 3-147 that "the proposition [that an agreement on ownership of goodwill is binding as between the parties] applies to similar agreements when there is no pre-existing goodwill, or when ownership of such goodwill as already exists is uncertain or controversial". It is not clear whether the learned author, by this observation, was suggesting that goodwill could accrue to the licensor by agreement where there was no pre-existing goodwill. Even if this was what the learned author intended to suggest, no authority was cited in support. Only the case of *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367 was cited for the proposition that an estoppel by convention could establish the question of *ownership* of goodwill.

67 The Plaintiff also relied on the case of *A S Nordlandsbanken v Nederkoorn Robin Hoddle* [2000] 3 SLR(R) 918 ("*Nordlandsbanken*") for the proposition that recitals in an agreement are binding on the parties. *Nordlandsbanken* and the authorities examined in that case related to the doctrine of estoppel by deed. The licence agreements in the present case were not deeds. It is thus necessary for me to examine whether the parties are similarly bound by recitals in the licence agreement.

68 Recitals are usually not regarded as terms of the agreement which give rise to legal obligations; they form the background to a transaction (Richard Christou, *Boilerplate: Practical Clauses* (Sweet & Maxwell, 5th Ed, 2010). However, it has been established that a party to a deed can be estopped from disputing the facts and recitals in a deed (*Lainson v Tremere* (1834) 1 Ad & El 792; *Greer and Another v Kettle* [1938] AC 156). The authors of Spencer Bower, *The Law Relating to Estoppel by Representation* (LexisNexis UK, 2004) ("*Spencer Bower*") explain at para VIII.13.1 that:

> The necessity of finding that a recital was intended to be an agreement to admit its truth by the party to be estopped reveals the true foundation of the modern doctrine of estoppel by deed *inter partes*. For, an intention to be bound by agreement is a contractual intention, and the requirement of consideration is obviated by execution of the deed: the parties are, therefore, estopped by contract. ...

69 It appears that the doctrine of estoppel in relation to recitals has been extended to instruments not by deed. Parke B J in *Carpenter v Buller* (1841) 151 ER 1013 observed at 1014 that:

> If a distinct statement of a particular fact is made in the recital of a bond, or other instrument under seal, and a contract is made with reference to that recital, it is unquestionably true, that, as between the parties to that instrument, and in an action upon it, it is not competent for the party bound to deny the recital, ... *and a recital in instruments not under seal may be such as to be conclusive to the same extent*. [emphasis added]

70 Another closely related doctrine is the doctrine of estoppel by convention. It is established that parties can be bound by a state of facts or law which they mutually assumed to form the basis of their contractual obligations (see *Spencer Bower* at para VIII.7.2). Parties are in substance bound by contract rather than estoppel where the estoppel is founded on non-operative words of an agreement.

71 I find that it is more conceptually consistent for a recital in an agreement not by deed to be similarly capable of giving rise to an estoppel by convention, where the proposition in the recital was contemplated by the parties and intended to be an agreement between them. The distinction in the requirement of consideration between a deed and an agreement not under seal should not prevent a party from relying on a recital in such agreement to establish estoppel by convention.

72 However, I find that the Plaintiff cannot satisfy the element of goodwill even if the recital in the 2004 Agreement estops the parties from disputing the issue of goodwill. By arguing that the recital is conclusive of the existence of goodwill, the Plaintiff is attempting to use the doctrine of estoppel by convention as a sword and not merely a shield. It is established that the doctrine of estoppel by convention cannot be used to establish a cause of action because it cannot create new rights where they did not previously exist (*Amalgamated Investment & Property Co Ltd v Texas Commerce International Bank Ltd* [1982] 1 QB 84 ("*Amalgamated Investment*"); *The Vistafjord* [1988] 2 Lloyd's Rep 343; *Baird Textiles Holdings Ltd v Marks & Spencer plc* [2002] 1 All ER (Comm) 737 at [33]; *Riverside Housing Association Ltd v White and White* [2005] EWCA Civ 1385 ("*Riverside Housing*") (reversed on appeal by the House of Lords but on different grounds)). Estoppel cannot be used as a free-standing element to create a cause of action.

73 The English Court of Appeal case of *Amalgamated Investment* is pertinent. The facts of the case are somewhat involved. The plaintiff company negotiated with the defendant bank to finance its property development project in Bahamas. The banks granted a loan of US$3m to one of the plaintiff's Bahamian subsidiaries, Gleniston. This was secured on a property in the Bahamas, Harrison Building. The bank also granted loan facilities secured over the plaintiff's properties in England. Later, the

plaintiff negotiated for the loan to Gleniston to be transferred to another subsidiary of the plaintiff, ANPP. The loan amount was also increased to US$3.25m ("the Nassau loan") and likewise secured on Harrison Building which was transferred from Gleniston to ANPP. In addition, the plaintiff gave a guarantee, by which it undertook to pay all moneys owed by ANPP to the bank ("the guarantee"). To circumvent certain complications under Bahamian law, the bank subsequently decided to incorporate a Bahamaian subsidiary, Portsoken, by acquiring a shelf company in the Bahamas. The arrangement was that the bank would lend Portsoken moneys which Portsoken would then re-lend to ANPP. However, the guarantee was not altered to cover moneys owed by ANPP to Portsoken. The plaintiff later went into liquidation. The bank and Portsoken appointed receivers to sell the properties in England and the Harrison Building respectively. The bank later sought to apply the surplus from the sale of the English properties to the outstanding moneys on the Nassau loan. The plaintiff's liquidators sought a declaration that the plaintiff was not liable on the guarantee to the bank, arguing that the moneys advanced under the Nassau loan were owed to Portsoken and not the bank.

74 The English Court of Appeal dismissed the plaintiff's claim, finding that the guarantee was wide enough to include the loan by Portsoken to ANPP, based on the correspondence and negotiations of the parties (*Amalgamated Investment* at 119, 125, 127 and 129). The parties negotiated on the basis that the plaintiff would be liable to discharge the moneys under the Nassau loan. Eveleigh and Brandon LJJ also agreed that even if the wording of the guarantee could not be construed to cover the Nassau loan, the plaintiff was estopped by convention from denying this.

75 However, both Eveleigh and Brandon LJJ acknowledged that an estoppel by convention could not be used to found a cause of action by the bank. Only Denning MR took the contrary view that the bank could have sued on the "conventional basis" that the guarantee covered moneys owing on the Nassau loan. Eveleigh LJ, on the other hand, doubted that the bank could have sued on the estoppel (at 126):

> It is important to appreciate that the transaction with which we are concerned is the realisation of the securities by the bank. *We are not concerned to decide whether the plaintiffs would have had a defence to an action on the A.N.P.P. guarantee itself if the security had proved insufficient. For myself I do not think that the bank could have succeeded in a claim on the guarantee itself*. Estoppel operates so as to prevent a party from denying a representation or an assumed state of facts in relation to the transaction supported by that representation or assumed state of facts. The estoppel does not go beyond the transaction in which it arose. The representation or assumed state of facts are not to be held irrefutable beyond the purpose for which the representation or assumption was made. In the present context the representation is not made for the purpose of establishing its own truth but as a part of the whole transaction. An assumption is not to be treated as having the effect of an assumpsit. [emphasis added]

Brandon LJ similarly observed (at 131):

> I turn to the second argument advanced on behalf of the plaintiffs, that the bank is here seeking to use estoppel as a sword rather than a shield, and that that is something which the law of estoppel does not permit. Another way in which the argument is put is that a party cannot found a cause of action on an estoppel.
>
> In my view much of the language used in connection with these concepts is no more than a matter of semantics. Let me consider the present case and suppose that the bank had brought an action against the plaintiffs before they went into liquidation to recover moneys owed by A.N.P.P. to Portsoken. In the statement of claim in such an action *the bank would have pleaded the contract of loan incorporating the guarantee*, and averred that, on the true construction of

the guarantee, the plaintiffs were bound to discharge the debt owed by A.N.P.P. to Portsoken. *By their defence* the plaintiffs would have pleaded that, on the true construction of the guarantee, the plaintiffs were only bound to discharge debts owed by A.N.P.P. to the bank, and not debts owed by A.N.P.P. to Portsoken. Then in their reply the bank would have pleaded that, by reason of an estoppel arising from the matters discussed above, the plaintiffs were precluded from questioning the interpretation of the guarantee which both parties had, for the purpose of the transactions between them, assumed to be true.

In this way the bank, while still in form using the estoppel as a shield, would in substance be founding a cause of action on it. This illustrates what I would regard as the true proposition of law, that, *while a party cannot in terms found a cause of action on an estoppel, he may, as a result of being able to rely on an estoppel, succeed on a cause of action on which, without being able to rely on that estoppel, he would necessarily have failed.* That, in my view, is, in substance, the situation of the bank in the present case. [emphasis added]

76 The learned authors of *Chitty on Contracts*, vol 1 (Sweet & Maxwell, 30th Ed, 2008) commented at para 3-113 that:

Brandon L.J. seems to have taken the view that the bank could have sued on the guarantee, but to have based that view on the ground that the loan agreement between A and X Bank imposed an obligation on A to give the guarantee: hence *it was that agreement, and not the estoppel*, which would have given rise to the X Bank's cause of action, if it had sued on the guarantee. [emphasis added]

Brandon LJ's observations and the proposition that estoppel by convention cannot be used to create a cause of action have been affirmed in *Riverside Housing* (at 304) ([71] *supra*) and *Baird* (at [88]) ([71] *supra*).

77 While the use of promissory estoppel as a sword has been doubted, the Singapore courts have not expressed definitively whether an estoppel by convention can be used to establish a cause of action. However, the court in *Assoland Construction Pte Ltd v Malayan Credit Properties Pte* Ltd [1993] 2 SLR(R) 444 at [40]–[41] rejected the defendant employer's attempt to rely on estoppel by convention to sue for liquidated damages, where the architect's contractual non-compliance prevented such a claim from arising against the main contractor. In *Panwell Pte Ltd v Indian Bank* [2001] 3 SLR(R) 462 ("*Panwell*"), the court also appeared to proceed on the basis that an estoppel by convention destroyed the defendant's defences (*Panwell* at [62]). The plaintiff in *Panwell* could rely on circumstances independent of the estoppel to establish its case.

78 As such, the Plaintiff must be able to rely on facts that exist independently of the estoppel to establish that it had goodwill in the get-up of its Licensed Products and Licensed System. The Plaintiff did not adduce evidence to show that the names of its Licensed Products acquired secondary meaning. The Plaintiff was also not able to meet the high threshold of showing that there were particular features in the Licensed System that were capricious and that had come to be associated specifically with the Plaintiff's system. The Plaintiff failed to provide evidence to prove that the elements of the Licensed System, such as self-mounting brackets, audio-visual advertisements and the concept of having a store supervisor were so distinctive that they were only associated with the Plaintiff in the mind of the public.

79 I thus find that the element of goodwill has not been established by the Plaintiff.

Misrepresentation and Damage

80 In light of my finding that the Plaintiff did not have goodwill in the Licensed System or Licensed Products, the Plaintiff fails in its claim for inverse passing off. However, for the sake of completeness, I will touch briefly on the other two elements of inverse passing off.

81 The Plaintiff must establish that the Defendant represented the Plaintiff's Licensed System to be the Defendant's. In *QB Net* ([44] *supra*), the court observed that the element of misrepresentation would have been satisfied if the plaintiff had established goodwill. It found that there were "striking similarities" in the conduct of the plaintiff's and defendant's businesses. The defendant sent letters to third parties stating that it was taking over the business of QB House. It assured them that the "management and operation staff" of the business will remain unchanged. The defendant's advertisements also stated that the trade name of the plaintiff's local franchise "QB House" would be changed to "EC House". The defendant's employees informed the public that with the exception of the name change, "QB House" and "EC House" were the same company. Furthermore, the defendant continued to operate "QB House" outlets and continued using the plaintiff's equipment, logos, uniforms, and combs.

82 In the present case, I find that the Defendant arguably misrepresented the Plaintiff's goods and services as its own on termination of the 2004 Agreement. The Defendant agreed to supply retailers and supermarkets in Malaysia with the Licensed Systems and Licensed Products for the purposes of in-store advertising. The Plaintiff, however, alleges that the Defendant had not informed the retailers in Malaysia that the Plaintiff was the commercial source of the Licensed System. This appeared to be unimportant to the Plaintiff while the 2004 Agreement subsisted. The Plaintiff did not insist that the Defendant inform the retailers in Malaysia that the Licensed System was the Plaintiff's. Things took a turn, however, when the 2004 Agreement was terminated.

83 The Defendant asserts that it sent letters to retailers and marketers notifying them that its licence agreement with OMG Asia had been terminated. It informed them that the names of the advertising media would thus be changed, for example, from "Shelf Vision" to "Pos Vision". However, it should be noted that the letters were only sent to the Defendant's contracting counterparts on 21 April 2009. The letters also indicated that the 2004 Agreement was terminated on 30 June 2009 instead of 3 March 2009 and stated that "with the name change all contracts with our customers and suppliers shall remain in effect". This appeared to suggest that the Defendant continued to enjoy the right to provide the Licensed Products and that the Licensed Products originated from it.

84 The Defendant asserts that it changed the hardware for its products, such as the clips and frames used to mount the advertisements onto the shelves, immediately on termination of the 2004 Agreement. It was not clear when the hardware was substituted, or whether the Defendant informed the retailers and marketers that it was changing these products because the 2004 Agreement was terminated. In any event, the Defendant still adopted the use of shelf-mounted banners for its in-store advertising media. The differences in the colour and mechanism of the clips does not detract from this finding.

85 On the issue of damage, no evidence of actual damage was adduced by the Plaintiff. The Plaintiff submitted that likelihood of damage would be readily inferred where the plaintiff's and defendant's goods and services are in competition with each other. However, I find that even if misrepresentation and damage is established, the inability to show goodwill in the get-up of the Licensed System and names of the Licensed Products is fatal to the Plaintiff's passing off claim.

Conclusion

86 I find that the Defendant has not made out any defence to the Plaintiff's claim for arrears of

royalty payments. However, I note that there was a period between the termination of the Master Licence Agreement on 22 April 1999 and the commencement of the 2002 Agreement on 1 July 2002 during which the Plaintiff did not have any rights which it could sub-license to the Defendant. It follows that the Plaintiff should not be allowed to collect royalties for that period. As such, I order the Defendant to pay the Plaintiff the outstanding royalties of RM967,753.45 less the amount for the above period.

87 The Plaintiff's plea for an injunction to restrain the Defendant from using the Licensed System or anything similar to it is denied as is the Plaintiff's plea for an injunction against the Defendant with respect to passing off and use of the allegedly Cloned Products.

88 It follows that the Plaintiff's plea for an account of all revenue and profit generated from the continued use of the Licensed System and/or of the Cloned Products and/or from alleged acts of passing off is also dismissed.

89 The Defendant's counterclaim is dismissed except for the declaration sought that cl 9.3 of the 2004 Agreement is in restraint of trade.

90 I will hear the parties on costs.