

Guy Neale and others v Ku De Ta SG Pte Ltd  
[2015] SGCA 28

**Case Number** : Civil Appeal No 171 of 2013  
**Decision Date** : 26 May 2015  
**Tribunal/Court** : Court of Appeal  
**Coram** : Sundaresh Menon CJ; Chao Hick Tin JA; Andrew Phang Boon Leong JA  
**Counsel Name(s)** : Ang Cheng Hock SC, William Ong, Kristy Tan and Clara Tung (Allen & Gledhill LLP) for the 1st to 4th and 6th appellants; Low Chai Chong, Gilbert Leong, Foo Maw Jiun and Vernon Chua (Rodyk & Davidson LLP) for the respondent.  
**Parties** : Guy Neale and others — Ku De Ta SG Pte Ltd

*Trade Marks and Trade Names – Licensing*

26 May 2015

Judgment reserved.

**Sundaresh Menon CJ (delivering the judgment of the court):**

**Introduction**

1 The parties in this appeal are operators of popular dining and nightlife establishments. Their dispute concerns the use of the name “Ku De Ta”. The parties on both sides use this name for their respective businesses. All of the appellants are current members of a partnership (“the Partnership”) that owns and operates a restaurant, bar and club in Bali, Indonesia. The Partnership is also the beneficial owner of two registered trade marks in Singapore relating to the “Ku De Ta” name (“the Singapore Marks”). The registrations for the Singapore Marks were until recently held by Nine Squares Pty Ltd (“Nine Squares”) on trust for the Partnership. The respondent is Ku De Ta SG Pte Ltd (“the Respondent”), a company that operates the restaurant, bar, lounge and club which bear the “Ku De Ta” name at the Skypark at the Marina Bay Sands development (“MBS”) in Singapore. For convenience, we will refer to the Partnership’s business as “Ku De Ta Bali” and the Respondent’s business as “Ku De Ta Singapore”.

2 The Appellants (a term which we shall henceforth use to refer to all of the appellants *except* the fifth appellant, Arthur Chondros (“Chondros”), who is a dissenting partner in this appeal) seek, among other things, to restrain the Respondent from continuing to use the “Ku De Ta” name in Singapore. In resisting the Appellants’ claim, the Respondent relies primarily on the fact that it is the assignee of an exclusive licence to use one of the Singapore Marks. The exclusive licence was granted pursuant to a licence agreement dated 29 June 2009 (“the Licence Agreement”).

3 The Respondent argues that the exclusive licence confers upon it a proprietary interest in the “Ku De Ta” name and that, as it acquired this interest *bona fide*, for value and without notice of the Partnership’s rights, its interest takes priority over that of the Partnership, notwithstanding that the latter is (and was at the material time) the beneficial owner of the Singapore Marks. The Appellants on the other hand say that the exclusive licence only confers on the Respondent contractual rights and that, in any event, even assuming the doctrine that protects what is referred to as “equity’s darling” were applicable, the Respondent would not be able to bring itself within its scope.

4 The central issue before us is whether the Respondent can show that it has a right to use the

"Ku De Ta" mark that is effective against the Partnership. The legal question is whether and if so, in what circumstances, an exclusive licence to use a registered trade mark granted by the legal owner of that mark in breach of trust can prevail against the rights and interests of the beneficial owners of that mark. Depending on the answer to the legal question, what may then follow is the factual question of whether the Respondent's rights *do* in fact prevail over the Partnership's interest in this case.

## **The background**

### ***Procedural history***

5 As the procedural background to this appeal is somewhat involved, we think it would be helpful for us to first sketch out the contours of the litigation before we delve into the relevant facts.

6 The Appellants were the plaintiffs and the Respondent the defendant in Suit No 955 of 2010 ("Suit 955") from which this appeal is brought. The Appellants pleaded two causes of action against the Respondent: first, under s 55 of the Trade Marks Act (Cap 332, 2005 Rev Ed) ("TMA") for the infringement of a well-known trade mark and, secondly, in passing off. The Appellants sought the following relief:

- (a) Orders enjoining the Respondent from using the name and/or the mark "Ku De Ta";
- (b) Damages, to be assessed; and
- (c) Further and/or in the alternative, an account of profits.

7 Suit 955 is closely linked to Suit No 314 of 2011 ("Suit 314"), which was an action brought by the Appellants against Nine Squares. There were two issues raised in Suit 314. The first was whether Nine Squares was holding the Singapore Marks on trust for the Partnership. If it was not, the second issue was whether the registration of the Singapore Marks by Nine Squares should be invalidated.

8 Suit 314 and Suit 955 were heard by the same judge ("the Judge"). The Judge dismissed Suit 314 in *Guy Neale and others v Nine Squares Pty Ltd* [2013] SGHC 249 ("the Suit 314 Judgment"). The Appellants had accepted that they would have no basis to proceed in Suit 955 if Suit 314 was dismissed. Accordingly, the Judge dismissed Suit 955 in *Guy Neale and others v Ku de Ta SG Pte Ltd* [2013] SGHC 250 without considering the substantive issues in this appeal.

9 The Appellants appealed against both decisions. As already mentioned, this appeal arises from Suit 955. Civil Appeal 172 of 2013 ("CA 172") is the corresponding appeal arising from Suit 314. Nine Squares was the respondent in that appeal.

10 Both appeals were originally heard by this court at the same time. However, as we recognised that the Respondent's rights in this appeal could be affected by our determination in CA 172, we decided to deal with CA 172 first.

11 On 22 December 2014, we allowed the Appellants' appeal in CA 172 and declared that Nine Squares was indeed holding the Singapore Marks on trust for the Partnership since the respective dates of registration of those two marks. We thus ordered Nine Squares to effect a transfer of the registration of the Singapore Marks to the Partnership, as well as to account for the profits derived from the exploitation of the Singapore Marks, including what had already accrued or may yet accrue from the Licence Agreement. Given these findings, we did not need to consider the Appellants'

arguments in relation to the invalidation of the registration of the Singapore Marks under the TMA. Our decision in CA 172 is reported in *Guy Neale and others v Nine Squares Pty Ltd* [2015] 1 SLR 1097 ("the CA 172 Judgment").

12 On 11 March 2015, after hearing the further submissions of the parties in this appeal, we reserved judgment.

### ***The relevant facts***

13 The CA 172 Judgment, which sets out the material facts for that case, contains useful background information for the present appeal, and reference may be had to that judgment for more details. For brevity, we minimise the reproduction of that background in this judgment as far as we are able to.

#### ***Events prior to the Licence Agreement***

14 Ku De Ta Bali was originally established by Chondros and the first to third appellants, namely, Guy Neale ("Neale"), Aki Kotzamichalis and Made Wiranatha ("Kadek"). The four of them entered into an agreement in February 2000, referred to as the Heads of Agreement ("the 2000 HOA"). Under the terms of the 2000 HOA, Chondros was to manage the daily operations of Ku De Ta Bali. In late 2002, Chondros enlisted one Daniel Ellaway ("Ellaway") to assist him in this regard.

15 On 20 March 2001, a trade mark for the "Ku De Ta" name was registered in Indonesia in Class 42 (restaurants, etc) as Indonesian TM No 469240. Kadek was named as the registered proprietor.

16 In October 2002, Chondros asked Ellaway to register the "Ku De Ta" name as a trade mark in Australia ("the Australian Mark"). This was done on 17 October 2002 in both their names.

17 In January 2003, Chondros incorporated Nine Squares as a public company in Victoria, Australia (Nine Squares was later converted into a private company). Nine Squares was involved in the management of Ku De Ta Bali. At the material time, Nine Squares had two equal shareholders and directors, namely, Chondros and Ellaway. This remained so until 16 February 2010 when Ellaway resigned as director and, by the time of the trial in Suit 314, he was no longer a shareholder. As we have mentioned, Nine Squares was the defendant in Suit 314 and the respondent in CA 172.

18 On 29 January 2004, Chondros and Ellaway assigned the Australian Mark to Nine Squares. Other trade marks, including the Singapore Marks, were registered overseas from 2004 onwards in the name of Nine Squares (collectively referred to as "the Overseas Marks").

19 On 16 February 2004, on the basis of the Australian Mark, Nine Squares applied for an international registration of the "Ku De Ta" name as a trade mark. Singapore was designated as one of the countries for registration. Nine Squares thus obtained the registration here for the "Ku De Ta" name in Class 43 for restaurants, provision of food and drink, temporary accommodation, and hotels with effect from 16 February 2004. This registration, Singapore TM No T0405181Z, is referred to here as "the 1st Singapore Mark".

20 We found in CA 172 that in causing Nine Squares to register the Overseas Marks in its name, Chondros had intended Nine Squares to hold (at least) the Singapore Marks on trust for the Partnership as a whole (see the CA 172 Judgment at [120]). While it is not necessary to explore in detail the internal workings of the Partnership that led to our decision in CA 172, we note that the original members of the Partnership did not appear to have even known about the steps taken to

register the Overseas Marks until mid-2007. Instead, the issue of the beneficial ownership of the Overseas Marks (which include the Singapore Marks) had only come to the fore, as far as the other original members of the Partnership were concerned, at a partnership meeting held on 29 June 2007 at which Chondros was not present, but the minutes of which meeting he did subsequently receive without demur.

### *The Licence Agreement*

21 Sometime in early 2009, a Hong Kong businessman named Chris Au ("Au") learnt from another businessman, Karl Patel ("Patel"), that Nine Squares was in discussions to open an outlet under the "Ku De Ta" brand name at MBS. Au expressed his interest in participating in such a venture and asked Patel to introduce him to the relevant parties. [\[note: 1\]](#) Au learnt from Patel that Chondros and Ellaway were the directors and equal owners of Nine Squares. [\[note: 2\]](#) Further, he also knew that there were other investors in Ku de Ta Bali besides Chondros.

22 Au was introduced to Ellaway by Patel by way of an email dated 18 March 2009. [\[note: 3\]](#) Au's wish to invest in a venture to set up an outlet using the "Ku De Ta" name at MBS was broached and Patel subsequently conducted the negotiations with Ellaway on Au's behalf from April to June 2009.

23 During this period, beginning sometime towards the end of 2008 or early 2009, the relationship between Chondros and Ellaway soured. [\[note: 4\]](#) Chondros accused Ellaway of misconduct in the management of Ku De Ta Bali, including the alteration of invoices to artificially inflate expenses. Matters reached a head and on 24 June 2009, Chondros emailed Ellaway insisting that Ellaway "should not enter into any agreements ... without [Chondros'] express written consent". [\[note: 5\]](#)

24 Just five days later, on 29 June 2009, Ellaway, without Chondros' knowledge and in defiance of the latter's express stricture against doing any such thing, caused Nine Squares to enter into the Licence Agreement with Au, purporting to give Au an exclusive licence for the use of the 1st Singapore Mark. The Licence Agreement states that Au intended to assign his rights under the Licence Agreement to an entity incorporated in Singapore. [\[note: 6\]](#) The Respondent in due course became that entity when Au assigned it his rights under the Licence Agreement.

25 It is not disputed by any of the parties that Chondros did not know about the Licence Agreement when it was entered into. Whether Au knew of Chondros' ignorance at the outset or only became aware of this subsequently is a matter of dispute.

26 On 30 June 2009, Nine Squares applied to register the "Ku De Ta" name as a trade mark in Classes 9 (music) and 25 (apparel). This trade mark was subsequently registered as Singapore TM No 0907126DF with effect from 30 June 2009 ("the 2nd Singapore Mark"). The 1st Singapore Mark and the 2nd Singapore Mark are collectively referred to as "the Singapore Marks".

27 On 13 August 2009, the Respondent was incorporated in Singapore with Kudeta Limited (a British Virgin Islands company) as the sole shareholder. Kudeta Limited was incorporated pursuant to a joint venture agreement dated 20 July 2009 between Retribution Limited and Rocky Cape International Limited, companies belonging to Au and Patel respectively. As noted above, Au subsequently assigned his rights in the 1st Singapore Mark to the Respondent. [\[note: 7\]](#)

### *Events after the Licence Agreement*

28 On 18 August 2009, Au received an email from one Michael Tan ("Tan"). Tan represented a businessman known as Arthur Tay ("Tay"). Au had briefly partnered Tay previously to explore the possibility of establishing an outlet using the "Ku De Ta" name in Singapore before Tay withdrew. In his email, Tan informed Au that he and Tay had met Neale, who told them that the "KDT brand IP" belonged to the Ku De Ta Bali owners and not Nine Squares. [\[note: 8\]](#) Tan also offered to arrange a meeting with Neale but Au did not take up this offer. Instead, Au wrote to Ellaway for clarification in response to which, Ellaway maintained that it was Nine Squares that owned the rights to the "Ku De Ta" name "outside of [B]ali." [\[note: 9\]](#)

29 On two occasions in September and November 2009, Au met Chondros to try to persuade him (on behalf of Nine Squares) to enter into a licensing arrangement on terms similar to those in the Licence Agreement. What is noteworthy is that on both occasions, Au did not disclose to Chondros the fact that he had already entered into the Licence Agreement with Nine Squares through Ellaway.

30 On 23 November 2009, Au assigned his rights under the Licence Agreement to the Respondent. The assignment was to take effect from 10 September 2009.

31 On 4 December 2009, the Respondent entered into a lease with MBS to take space for Ku De Ta Singapore.

32 On 16 February 2010, Chondros finally learnt of the existence of the Licence Agreement, a copy of which was sent to him after Ellaway abruptly resigned on the same day. By this time, it was clear that any prospect of a continuing relationship between Chondros and Ellaway was unviable. It is evident that prior to this, Chondros had suspected that Ellaway had contemplated causing Nine Squares to enter into overseas ventures using the "Ku De Ta" name. Chondros sent letters to various persons in MBS' Retail Development Unit and to Ellaway himself disclaiming any authority on Ellaway's part to cause Nine Squares to enter into any ventures involving the use of the "Ku De Ta" name. After he learnt of the Licence Agreement, Chondros sent further letters to similar effect.

33 In April 2010, the Respondent and Au commenced legal proceedings in Victoria, Australia against Nine Squares seeking, among other things, a declaration that the Licence Agreement was valid ("the Australian Proceedings"). In those proceedings, Chondros filed an affidavit dated 14 May 2010, in which he expressly stated that while the Overseas Marks were registered by Nine Squares in its name, they were held on trust for the Partnership as a whole; and further, that all the members of the Partnership were entitled to the benefits flowing from the use of those marks (see the CA 172 Judgment at [100]). This was also the position taken in Nine Squares' defence in the Australian proceedings.

34 On 9 July 2010, the Australian Proceedings were settled. Au, the Respondent and Nine Squares entered into a deed of settlement ("the Deed of Settlement"). The Licence Agreement was, in Au's words, "affirmed" with certain variations, the main difference being an increase in the percentage of the gross revenue of Ku De Ta Singapore payable to Nine Squares from 2% to 2.25%. [\[note: 10\]](#) The Respondent was represented by Au while Nine Squares was represented by Chondros and another director, Justin Todd. [\[note: 11\]](#)

35 In September 2010, the Respondent opened Ku De Ta Singapore. In December 2010, the Appellants commenced Suit 955 against the Respondent, which was followed by Suit 314 against Nine Squares in the following year. Both suits were dismissed by the Judge. As noted previously, Suit 955 had been dismissed by the Judge because she had dismissed Suit 314. The appeal against Suit 314 was allowed in CA 172 when we had found that Nine Squares held the Singapore Marks on trust for

the Partnership. It then became necessary for us to deal with CA 171.

## **The issues on appeal**

36 In this appeal, we are concerned with the following issues:

- (a) whether the licence granted under the Licence Agreement confers on the licensee a proprietary interest in the 1st Singapore Mark or whether the rights conferred are only contractual in nature;
- (b) whether the licensee's interest (whatever its nature) binds the Partnership; and
- (c) whether the Appellants are entitled to a remedy under passing off and/or s 55 of the TMA, or, alternatively, whether the Appellants can obtain a remedy under ss 27 and 31 of the TMA in the light of our order in CA 172 that the legal title to the Singapore Marks be transferred to the Partnership and that the Register of Trade Marks be suitably rectified.

## **Whether an exclusive licence to use a registered trade mark confers a proprietary interest in the mark**

### ***Basic principles***

37 The Respondent asserts that the Licence Agreement is valid and enforceable against the Partnership as the owner of the 1st Singapore Mark primarily on the ground that an exclusive licence of a trade mark is proprietary in nature and that the Respondent is a *bona fide* purchaser for value of that interest without notice of any interest that the Partnership may have had. The Appellants, on the other hand, contend that an exclusive licence does not give rise to any proprietary interest and thus the doctrine that prefers equity's darling does not apply at all; but in any event, even if it does apply, the Appellants say that the Respondent cannot avail itself of it.

38 As a registered trade mark is a creature of statute, the starting point of our analysis is the TMA itself. Section 43(1) of the TMA defines an exclusive licence as follows:

**43.** —(1) In this Act, an "exclusive licence" means a licence (whether general or limited) authorising the licensee to the exclusion of all other persons, including the person granting the licence, to use a registered trade mark in the manner authorised by the licence, and the expression "exclusive licensee" shall be construed accordingly.

39 The TMA also supports the following legal propositions.

- (a) A registered trade mark is a property right obtained by the registration of the trade mark and the proprietor of the registered trade mark has all the rights and remedies provided for under the TMA (s 4(1) TMA).
- (b) The proprietor of a registered trade mark is the person in whose name the trade mark is registered (s 2(1) TMA). The proprietor has the exclusive rights to: (a) use the trade mark; and (b) authorise other persons to use the trade mark, in relation to the goods or services for which the trade mark is registered (s 26(1) TMA).
- (c) A registered trade mark is personal property (s 36 TMA) and it is assignable and transmissible in the same way as other personal or movable property (s 38(1) TMA).

40 A licence of a registered trade mark (whether exclusive or not) is a registrable transaction under the TMA as “an interest in or under a registered trade mark” (ss 39(1) and (2) TMA) and is capable of affecting third parties in certain situations:

(a) A licence to use a trade mark is binding on every successor in title to the grantor’s interest except a *bona fide* purchaser without any notice (actual or constructive) of the licence or unless the licence provides otherwise (s 42(5) TMA).

(b) A licensee under a non-exclusive licence may be entitled to bring infringement proceedings in its own name if the proprietor refuses to do so or fails to do so within two months after being called upon (s 44(4) TMA), although the licensee may not do so, without the leave of court, unless the proprietor has been joined as a plaintiff or added as a defendant (s 44 (5) TMA).

(c) For an exclusive licence which provides that the licensee shall have the same rights and remedies in respect of matters occurring after the grant of the licence as if the licence had been an assignment, that licensee is entitled to bring infringement proceedings in his own name (ss 45(1) and (2) TMA), although it is clear the defendant may avail itself of any defence which could have been raised if the action had been brought by the proprietor of the registered trade mark (s 45(4) TMA).

41 Considering the “almost proprietary” effects of a trade mark licence, it is unsurprising that it has been argued that a licence *might* be proprietary in nature. On the other hand, it is equally possible to say that a licence is simply a contractual bundle of rights that has, exceptionally, been given some *in rem* effects by statute, and that this would not warrant the wholesale adoption of property doctrines from the common law or in equity.

### **The case law**

42 While there has been no authoritative pronouncement on this point in Singapore (see *OMG Holdings Pte Ltd v Pos Ad Sdn Bhd* [2012] 4 SLR 231 at [35]), it seems settled in England that a licence to exploit a registered trade mark is purely contractual in nature and does not confer any proprietary rights on the licensee. This is recognised in the textbooks, although there remains some academic debate on the matter, a point to which we shall return to later (see James Mellor *et al*, *Kerly’s Law of Trade Marks and Trade Names* (Sweet & Maxwell, 15th Ed, 2011) (“*Kerly’s*”) at para 13-083 and Neil J Wilkof & Daniel Burkitt, *Trade Mark Licensing* (Sweet & Maxwell, 2nd Ed, 2004) (“*Wilkof*”) at paras 1-37, 10-16 and 12-46).

43 As regards the rights of a licensee under the Trade Marks Act 1994 (c 26) (UK) (“the UK 1994 Act”), the leading case is the decision of Jacob J (as he then was) in *Northern & Shell plc v Condé Nast & National Magazine Distributors Limited and another* [1995] RPC 117 (“*Northern & Shell*”). The parties in that case were purveyors of magazines. The second defendant was the registered proprietor of the relevant trade mark. It had granted the plaintiffs a sole and exclusive licence to use the trade mark in question over the life of the agreement. The licence was duly registered. Subsequently the first defendant distributed magazines bearing the trade mark with the second defendant’s consent. The plaintiff accordingly sought an interlocutory injunction against the first defendants for trade mark infringement.

44 Although the UK 1994 Act had already come into force, Jacob J had to first consider the Trade Marks Act 1938 (c 22) (UK) (“the UK 1938 Act”) as he found that to be the applicable statute in the case. Under s 28(3) of the UK 1938 Act, a licensee can call on the proprietor to initiate infringement proceedings and if the proprietor does not do so within two months of being called upon, the licensee

may sue in his own name. The only issue in *Northern & Shell* was whether a licensee of a registered trade mark can sue an alleged infringer who has the permission of the registered proprietor to use the mark. Jacob J held that a licensee could not.

45 In coming to that conclusion, Jacob J had to first determine whether a licence of a registered trade mark conferred on the licensee a proprietary interest in the mark. Jacob J referred to statements of various judges holding that licences of other intellectual property do not confer on the licensee any proprietary interest: see Browne-Wilkinson J (as he then was) in *CBS United Kingdom Ltd v Charmdale Record Distributors Ltd* [1981] 1 Ch 91 ("*Charmdale*") for copyright; and Lord Diplock in *Allen & Hanburys Limited v Generics (UK) Limited and others* [1986] RPC 203 ("*Allen & Hanburys*") for patents. Jacob J also referred to the decision of Scott J (as he then was) in *Crittall Windows Limited v Stormseal (UPVC) Window Systems Limited and another* [1991] RPC 265 ("*Crittall*"), where he held that the doctrine of forfeiture did not apply to intellectual property licences because such licences do not confer proprietary or possessory rights *in rem*. Jacob J found that arguments developed by analogy with grants of permission which have been held to give rise to proprietary interests in real property were not persuasive in the context of intellectual property (see *Northern & Shell* at 123) and held that in the context of the UK 1938 Act, a licensee's rights under a trade mark licence are purely contractual in nature.

46 Jacob J then turned to the UK 1994 Act and concluded that the position was no different from that under the UK 1938 Act. He found that s 30(3) of the UK 1994 Act (which is *in pari materia* with s 44(4) of the TMA) does not confer any proprietary interest on the licensee and that the licensee "is merely put in the same position to sue 'as if he were the proprietor'" (*Northern & Shell* at 127). As the rights are only contractual, it follows that a licensee cannot complain of a third party's use of the trade mark where such use is with the consent of the registered proprietor. Jacob J thus dismissed the plaintiff's claim. The plaintiff might of course have had a claim against the proprietor if the proprietor's consent to the third party's use of the mark had been given in breach of an undertaking it had previously given to the plaintiff, but that was a separate matter.

4 7 *Northern & Shell* was considered by the English Court of Appeal in *Leofelis SA and another v Lonsdale Sports Ltd and others* [2008] ETMR 63 where Lloyd LJ observed as follows (at [14]):

The only other point of trade mark law to which it is necessary to refer at this preliminary stage is that, **whereas a trade mark, when registered, is a proprietary right, an item of property, the same is not true, under English law, of a trade mark licence.** We were shown *Northern & Shell Plc v Conde Nast & National Magazine Distributors Ltd* [1995] R.P.C. 117, in which Jacob J. referred to several earlier cases, relating to trade marks as well as other kinds of intellectual property, for the proposition that a licence gives no proprietary interest, and does no more than make lawful some use of the trade mark (or other right) that would otherwise be unlawful. It is a matter of contract (assuming that, as here, there is consideration for the licence). That was not in dispute. **The position is therefore different from that arising under a tenancy of land, where a sub-tenancy does create a property right.** [emphasis added in bold]

48 Similarly, in the recent decision of the English High Court in *VLM Holdings Limited v Ravensworth Digital Services Limited* [2014] FSR 9, in which the issue concerned whether a copyright sub-licence granted by a licensee is capable of surviving the termination of the head licence, Mann J (citing *Allen & Hanburys*) said as follows (at [57]):

... [A licence] does not create a lower proprietary right carved out of a superior proprietary right in the same manner as a sub-lease is carved out of a head lease. In that latter situation the cesser of head lease by forfeiture brings the lower interest to an end. **However, the two**



**situations are not analogous.** [emphasis added in bold]

49 In *Ultraframe (UK) Ltd v Fielding and others (No 2)* [2006] FSR 17, Lewison J (as he then was) held (at [1387]) that an exclusive licence of a design right is non-proprietary in nature (although a licence could be considered “property” for certain statutory purposes). In coming to this conclusion he considered (at [1385]) “statements made by exceptionally distinguished judges” in the relevant case law, some of which we have already mentioned, including *Allen & Hanburys*, *Charmdale*, *Crittall* and *Northern & Shell*. In addition, he also cited the cases of *Dendron GmbH and others v The Regents of the University of California and another (No 3)* [2004] FSR 43 and *Sport International Bussum BV and others v Inter-Footwear Ltd* [1984] 1 WLR 776.

50 Lewison J was also influenced by the fact that a court should be slow to radically alter the established law without very good reason. The cautionary note he sounded at [1386] is instructive:

In addition it is clear that the world of intellectual property operates commercially on the basis that there is a clear distinction between an assignment (proprietary) and a licence (non-proprietary)... Where countless transactions have taken place on the basis of settled law, there is a strong presumption against altering the settled understanding. ...

51 It is clear, from these cases, that in considering the nature of a licence of intellectual property, it is not apposite to draw an analogy with the way in which the law deals with similar transactions involving real property.

52 The Respondent argues that the question of whether or not the licence of a trade mark is proprietary in nature must in the end be determined by whether the underlying agreement purports to transfer, or have the effect of transferring, any proprietary interest to the licensee. The Respondent cites the decision of the Ontario Superior Court of Justice in *T Eaton Co, Re* (1999) 14 CBR (4th) 288 (Ont SC) (“*Eaton*”) in support of this argument. But in our judgment, this was not the proposition that the judge in *Eaton* was advancing. Indeed, the holding in that case seems to be consistent with the general principle that even exclusive licences are not proprietary in nature (*Eaton* at [10] to [12]):

10 Thirdly, N submits that the Card Deal and other agreements grant it a licence which vests in N as licensee a right which constitutes personal property in the hands of N as licensee citing *Re Foster* [citation omitted] and *Sugarman v Duca Community Credit Union Ltd* [citation omitted]. However, it should be noted that these cases are PPSA cases and under that legislation there is a very expanded view of “personal property” in which there may be a security interest. ...

11 It seems to me that where the (exclusive) licence granted to N by E is analyzed in the context of the Card Deal overall, it is not, in the traditional property sense, a licence (sometimes expressed as a licence with a grant). The Card Deal in my view **does not purport to transfer, or have the effect of transferring, any type of proprietary interest to N**. Rather N is permitted to provide certain services to the customers of E while others are not. In the Card Deal, N and E have expressly and it would appear exhaustively provided for the aspects as to which each holds a proprietary interest in certain assets. **There is no statement in the Card Deal that the “exclusive licence” granted by E to N is in itself proprietary in nature in that it creates directly or indirectly a proprietary interest for N’s benefit.** ...

12 Even if the grant to N of the right to provide the Card Services were construed as a traditional licence, it does not appear to me that N thereby acquires a property interest in such a right. **The true nature of an (exclusive) licence is leave or permission to do such a thing, which would otherwise be unlawful and a contract not to give leave or permission to**

**anyone else to do the same thing. It confers no interest or property in the thing.** See *Heap v. Hartley* (1899), 42 Ch. D. 461 (Eng. Ch. Div.) at pp. 468-9 per Cotton L.J.

[emphasis added in bold]

53 Insofar as it is said that the court must scrutinise an agreement to discern what has *really* been agreed rather than taking the labels used by the parties as conclusive, we do not think that it is controversial. The court has to be alive to the possibility that parties might have used the term “licence” to denote what was really intended to be an assignment of a proprietary right, or *vice versa*. But that is not the issue before us.

54 We are satisfied that the Respondent’s primary position, which is that an exclusive licence of a registered trade mark confers a proprietary interest in that trade mark, has little support in the case law. To overcome the weight of authority, the Respondent’s counsel, Mr Low Chai Chong (“Mr Low”), argues that the structure and text of the TMA warrants this conclusion. To this point we now turn.

### ***The TMA***

55 As noted at [40] above, the TMA allows a licence of a registered trade mark to affect third parties in specific circumstances. Where those circumstances avail, it would normally be irrelevant whether a licence is proprietary or not. The question is whether the court should infer from the existence of these specific provisions that a trade mark licence is proprietary in nature and has the effect of binding third parties in *all* circumstances, even those falling outside the scope of these provisions.

56 To begin, the Respondent relies on Dr Stanley Lai’s observation in “Intellectual Property Licensing” in *Articles on Singapore Law* (2005) ch 6 [\[note: 12\]](#) (at para 13.2.1) that “[i]f a licence purports to grant more than bare permission, it may acquire the characteristics of a property right”. We do not think this assists the Respondent’s case. In our judgment, Dr Lai was describing in shorthand the *effects* of the various provisions of the TMA rather than taking a particular position in the debate over whether the rights of a licensee of a registered trade mark are contractual or proprietary in nature. In the same paragraph, he states that “a licence is in essence permission to do what otherwise would be infringement” – this is language describing a contractual, rather than a proprietary, right.

57 Mr Low’s next argument is that an exclusive licence is as good as an assignment (in a *substantive* sense) by virtue of the express wording of s 45 of the TMA, which confers on an exclusive licensee the right to sue in his own name. For convenience, we set out s 45 in full:

### **Exclusive licensee having rights and remedies of assignee**

**45.** —(1) An exclusive licence may provide that the licensee shall have, to such extent as may be provided by the licence, the same rights and remedies in respect of matters occurring after the grant of the licence as if the licence had been an assignment.

(2) Where or to the extent that the provision referred to in subsection (1) is made, the licensee is entitled, subject to the provisions of the licence and to the provisions of this section, to bring infringement proceedings, against any person other than the proprietor, in his own name.

(3) Any such rights and remedies of an exclusive licensee are concurrent with those of the proprietor of the registered trade mark, and references to the proprietor of a registered trade

mark in the provisions of this Act relating to infringement shall be construed accordingly.

(4) In an action brought by an exclusive licensee by virtue of this section, a defendant may avail himself of any defence which would have been available to him if the action had been brought by the proprietor of the registered trade mark.

(5) Where the proprietor or an exclusive licensee of a registered trade mark brings proceedings for any infringement of the trade mark in respect of which the proprietor and the exclusive licensee have concurrent rights of action, the proprietor or the exclusive licensee, as the case may be, need not —

(a) join the other as a plaintiff; or

(b) add the other as a defendant,

unless the Court otherwise orders.

(6) A person who is added as a defendant as mentioned in subsection (5) shall not be made liable for any costs in the action unless he takes part in the proceedings.

(7) Where an action for infringement of a registered trade mark is brought which relates wholly or partly to an infringement in respect of which the proprietor and an exclusive licensee have or had concurrent rights of action —

(a) the Court shall, when assessing damages, ordering an account of profits or awarding statutory damages under section 31(5)(c), take into account —

(i) the terms of the licence; and

(ii) any pecuniary remedy already awarded or available to either of them in respect of the infringement; and

(b) subject to any agreement between them, the Court may —

(i) assess the damages or award the statutory damages due to each of them according to the losses suffered or likely to be suffered by him as a result of the infringement; or

(ii) apportion between them the profits due to each of them according to what is attributable to the infringement of his rights.

(8) Subsection (7) shall apply whether or not the proprietor and the exclusive licensee are both parties to the action, and if they are not both parties, the Court may give such directions as it thinks fit as to the extent to which the party to the proceedings is to hold the proceeds of any pecuniary remedy on behalf of the other.

(9) The Court, in making an order under section 33, may have regard to the terms of any exclusive licence.

(10) The provisions of subsections (5) to (9) shall have effect subject to any agreement to the contrary between the exclusive licensee and the proprietor.

58 It should first be noted that s 45(1) of the TMA does not apply to *all* exclusive licences, but

only to those where it is contractually provided that the exclusive licensee has the same rights (including that to sue in his own name) as if he were an assignee (see *Kerly's* at para 20-010 and *Wilkof* at para 4-09). It follows that, even if it is correct that an exclusive licensee who is able to avail himself of s 45 of the TMA does obtain a proprietary interest, this does not lead to the conclusion that it is true of *all* exclusive licensees.

59 But more fundamentally, we do not consider that s 45 of the TMA assists the Respondent even if the Licence Agreement does fall within its ambit, because s 45 of the TMA is not intended in our judgment, to change, in substance, the nature of an exclusive licence.

60 There undoubtedly is some academic controversy over the precise ramifications of s 45 of the TMA, which in most aspects is similar to s 31 of the UK 1994 Act. For example, the learned authors of *Kerly's* take the view (at para 13-083) that s 31(1) of the UK 1994 Act "seems to leave open the argument that the nature of the interest enjoyed by an exclusive licensee is more than a bare permission." In *Wilkof* (at para 10-17), it is stated that s 31 of the UK 1994 Act "suggests that exclusive licensees may nevertheless enjoy proprietary rights in some circumstances."

61 However, the authors of both textbooks also point out (*Kerly's* at para 13-083 and *Wilkof* at para 10-17) that an exclusive licensee is not in as good a position as an assignee since:

- (a) an exclusive licensee cannot sue the registered proprietor for trade mark infringement (his remedy, if any, lying in contract); and
- (b) the rights and remedies of the exclusive licensee are *concurrent* with those of the registered proprietor.

62 In our judgment the better view is that expressed in *Tan Tee Jim SC, Law of Trade Marks and Passing Off in Singapore* vol 1 (Sweet & Maxwell, 3rd Ed, 2014) at p 572 (at footnotes 87 and 88), that the provisions of s 45 of the TMA are purely *procedural*, enabling the exclusive licensee to enforce the proprietary rights of the *proprietor*. The exclusive licensee is not the proprietor and is not treated as such other than for this procedural purpose. Thus, the exclusive licensee who sues in his own name pursuant to s 45 of the TMA still claims *through* the registered proprietor. This view is fortified by the fact that a defendant who is sued by the exclusive licensee "may avail himself of any defence which would have been available to him if the action had been brought by the proprietor of the registered trade mark" as provided for under s 45(4) of the TMA.

63 Section 45 of the TMA as it now stands is the result of an amendment effected by the Trade Marks (Amendment) Act 2004 (No 20 of 2004). Prior to the amendment, where proceedings for infringement were brought by an exclusive licensee and related wholly or partly to an infringement in respect of which the exclusive licensee and proprietor have concurrent rights of action, the exclusive licensee was not permitted, without the leave of the Court, to proceed with the action unless the proprietor was either joined as a plaintiff or added as a defendant. This requirement was removed by the Trade Marks (Amendment) Act 2004 and the current position is that an exclusive licensee need only join the proprietor if the Court so orders (see s 45(5) of the TMA).

64 The rationale for this amendment was explained by Prof S Jayakumar, who was then the Minister for Law, in *Singapore Parliamentary Debates, Official Report* (15 June 2004) at col 112, as follows:

**Improved protection for trade mark licensees**

I turn now to the improved protection for trade mark licensees. *The Bill will give trade mark licensees more flexibility to enforce their rights. This can save time and costs, especially where the trade mark owners are overseas.* Clause 17 amends section 39 so that a licensee no longer needs to register his licence with IPOS before suing an infringer for damages or an account of profits. Clause 20 of the Bill amends section 45 so that an exclusive licensee no longer has to involve the trade mark owner before proceeding with legal action to enforce his rights. Of course, Sir, the courts will still have the discretion to involve the owner if appropriate.

[emphasis added]

65 There is no indication, from the preceding paragraph, that Parliament had intended to alter the nature of a licence. On the contrary, it suggests that the amendment was intended to be *facilitative* in nature.

66 Finally, the Respondent turns to first principles. Mr Low cited a famous article by Prof Kevin Gray, "Property in Thin Air" (1991) 50 CLJ 252, where it is argued that excludability – the ability to control the access of third parties to property – is the defining characteristic of a property right. Prof Gray's article is a highly theoretical, even philosophical, exploration of the nature of "property". In vivid language, he calls property "the power-relation constituted by the state's endorsement of private claims to regulate the access of strangers to the benefits of particular resources" (at p 294). But even Prof Gray does not assert that excludability is *always* sufficient to found a property right; what he does say is that the concept "takes us some way towards discovering a rationally defensible content in the term 'property'" (at p 295).

67 In our judgment, an exclusive licensee of a trade mark does not acquire a proprietary interest in it. We start from the well-established premise that the analysis that is applied to analogous arrangements in the context of real property cannot and should not be extended directly to intellectual property. Insofar as statutory provisions exist for the rights conferred by a licence to bind or affect third parties in specified situations, there is no reason or basis for extending that to other situations. Finally, as we have held, s 45 of the TMA is a facilitative device to enable the exclusive licensee to enforce in his own name the proprietor's rights in the registered trade mark. It does not create a separate substantive right to exclude third parties from using the mark; that right continues to reside in the proprietor. So if the proprietor has consented to the use of a registered trade mark by a third party in breach of the terms of an exclusive licence, the licensee's primary remedy is a contractual one against the licensor. He might even have an action against the third party in conspiracy, or for inducing breach of contract or passing off or the like – this was contemplated in *Northern & Shell* (at 120) – but this does not detract from the contractual nature of a licence.

## **Whether the Licence Agreement binds the Partnership**

### ***Whether it is nevertheless necessary to examine the equities***

68 Having held that the exclusive licence obtained by the Respondent under the Licence Agreement gives rise to rights that are only contractual in nature, it follows (in ordinary circumstances) that the Respondent only has a personal remedy against Nine Squares. In *Southern Pacific Mortgages Ltd v Scott (Mortgage Business plc intervening)* [2015] AC 385 ("*Scott*"), the UK Supreme Court ("the UKSC") took it (almost as a matter of course) that personal rights cannot displace the proprietary interests of a third party. The case dealt with a "sale and rent back" transaction under which the vendor agreed to sell her home at an undervalue to a purchaser acting as the nominee of an entity called "North East Property Buyers". The purchaser promised the vendor that she would be entitled to remain in her home indefinitely after completion at a discounted rent.

The purchaser obtained a mortgage from the lender on the basis that the property was being purchased at full value with vacant possession. Exchange of contracts between the vendor and the purchaser, completion of the contract by execution of the transfer and execution of the mortgage all took place on the same day. Subsequently, contrary to the terms of the mortgage, the vendor was granted a two-year assured shorthold tenancy at a discounted rent. When the purchaser defaulted on the loan, the lender brought proceedings for possession of the home.

69 The UKSC was unanimous in determining that, prior to completion, the vendor had acquired no more than a personal right against the purchaser when she agreed to sell her property on the basis of the purchaser's promise that she would be entitled to remain in possession. The reason for this is that, prior to completion, a purchaser could not grant equitable rights of a proprietary character to the vendor. Those rights only became proprietary and *capable of being assigned with priority* over a mortgage upon the purchasers' acquisition of the legal estate at completion. The result was that, as the acquisition of the legal estate and the grant of the charge was one indivisible transaction, the vendor would not be able to assert against the lenders an interest that the vendor could only have acquired at completion by which time the mortgagees' interest was already perfected. While the case turned primarily on the provisions of the Land Registration Act 2002 (c 9) (UK), Baroness Hale of Richmond DPSC observed (at [111]) that under "the ordinary law of property", the vendor's non-proprietary interest was not one which was capable of binding the lender before the purchase of the land was completed.

70 That may be the general position but we are bound to analyse the present case in the context of the statutory regime applicable to trade marks, which clearly permits licences to take priority over other interests in a trade mark in specific contexts. Mr Low maintains that it remains necessary for us to examine the equities between the parties in determining the priority of rights, but only to the extent this is provided for in s 42(5) of the TMA, which reads as follows:

Subject to subsection (7), a licence to use a registered trade mark **is binding on every successor in title to the grantor's interest** —

(a) except any person who, in good faith and without any notice (actual or constructive) of the licence, has given valuable consideration for the interest in the registered trade mark; or

(b) unless the licence provides otherwise,

and any reference in this Act to doing anything with, or without, the consent of the proprietor of a registered trade mark shall be construed accordingly.

[emphasis added in bold]

71 Section 42(5) of the TMA applies to exclusive licences by virtue of s 43(2) of the TMA.

72 The parties dispute the relevance of s 42(5). The Appellants' counsel, Mr Ang Cheng Hock SC ("Mr Ang"), says that the Partnership is not a successor in title; rather it was always the owner of the 1st Singapore Mark, which was held for it on trust by Nine Squares. Mr Low, on the other hand, points to the fact that Nine Squares had the legal title in the 1st Singapore Mark and that remained so until our order in CA 172 requiring that the registration of the Singapore Marks be transferred to the Partnership was carried out. According to the public records, this was done on 5 February 2015 and the 1st Singapore Mark is now registered in Kadek's name. Thus, Mr Low contends, the Partnership becomes the successor in title to Nine Square's interest only when the transfer of the registration was completed.

73 There is not much case law on s 42(5) of the TMA, which was amended in 2004 as well. It is to the licensee's advantage that the licence continues to exist and to bind the proprietor of the trade mark even when the mark is assigned to a new proprietor: see Christopher Morcom, Ashley Roughton & Thomas St Quintin, *The Modern Law of Trade Marks* (LexisNexis, 4th Ed, 2012) ("*Morcom*") at para 11.9. Such a provision is therefore essential because there will usually be no privity of contract between the grantee of the licence and the grantor's successor in title: *Kerly's* at para 13.085, though it is also clear that a licence will not bind a good faith purchaser for value – see s 42(5)(a) of the TMA set out at [70] above.

74 In our judgment, s 42(5) of the TMA was enacted for a different situation than that which obtains here. The provision is plainly meant to deal with a successor in title *who does not already have a prior interest*, such as in the archetypal case of an assignment that takes place subsequent to the grant of the licence. In such a setting, there is no difficulty in holding that the transferee shall take his interest subject to the rights of the licensee unless he is able to bring himself within the exception under s 42(5)(a). But in this case, we had ordered the transfer of the Singapore Marks to the Partnership in order to vindicate its equitable interest in the aforesaid marks, which it had possessed *all along*.

75 Does s 42(5) of the TMA apply in such a context? To resolve that, it is useful to first consider the statutory scheme of registration. While a registered trade mark is a property right that is obtained by registration (s 4 of the TMA), the rights arising from *dealings* in registered trade marks are not necessarily invalid just because they are unregistered. Section 39(2) identifies registrable transactions and these include such things as assignments, security interests, and a court order transferring a trade mark or any other right in or under it. Registration is not mandatory but until such registration, the transaction is ineffective against a person who acquires a conflicting interest in or under the registered trade mark in ignorance of the transaction (see s 39(3) of the TMA). Moreover, until a person applies for registration as a proprietor by virtue of a registrable interest, pursuant to s 39(4), that person shall not be entitled to claim damages, or an account of profits or statutory damages for any infringement of the mark that occurs from the date of the transaction in question until the date of its application for registration as aforesaid. Grants of licences are also registrable transactions under s 39(2) though sub-ss (3) and (4) do not apply to licences.

76 As to trusts, this is dealt with in s 40 of the TMA. Until the TMA was amended in 2014 to permit the registration of an express trust, s 40(1) of the TMA did not permit the registration of *any* trust. It does not follow however that such trusts were invalid or unenforceable. Indeed, s 40(1A), which admittedly was enacted after these proceedings had been initiated, states that while an express trust may be registered, a failure to do so does not invalidate the rights or duties thereunder. Significantly, s 40(2) goes on to provide that "equities in respect of a registered trade mark may be enforced in like manner as in respect of other personal or movable property."

77 It follows from the foregoing provisions that although the Register is generally conclusive, there are at least some classes of unregistered rights or interests that are registrable but which are not rendered invalid or wholly without force pending registration. Even a licence (notwithstanding its contractual nature) does not need to be registered before it can bind the grantor's successor in title, although registration provides the crucial advantage of deeming every person to have notice of the licence (see s 42(6) of the TMA). The effect of non-registration may vary. In some instances (as provided in ss 39(3) and (4) of the TMA), the unregistered right or interest may be defeated by a conflicting interest that is acquired in ignorance of it; and further the proprietor of such an interest may not be able to bring a monetary claim for damages.

78 In this context, the Respondent says that the relevant provision to the present contest

between its rights as an exclusive licensee and the Partnership's interest as a successor in title who becomes the registered proprietor with notice of the Respondent's licence is s 42(5) of the TMA.

79 If and to the extent the Partnership asserts its right as a successor in title to the interest of Nine Squares, one might follow the Respondent's contention. But the Appellants, through the Partnership, do not do so. They do not assert that the Partnership *succeeds* to the Respondent's "interest". On the contrary, they assert their own interest as the owner in equity of the trade mark at the material time. It will be noted that by virtue of our decision in CA 172, we have found that the Singapore Marks were held on trust for the Partnership by Nine Squares. This draws us to s 40 which, as we have noted above, provides in sub-s (1A) that a failure to register one's interest under a trust shall not invalidate the rights and duties thereunder and further provides in sub-s (2) that the (unregistered) equities in a trade mark may be enforced in like manner as would be the case with other personal property. The effect of s 40(2) of the TMA is that, if a proprietor is holding the registration on trust for another party, the trust can be enforced by that party against him (the position is the same under s 26(2) of the UK 1994 Act – see *Morcom* at para 11.6 and *Kerly's* at para 13-033). Thus, if it is proven that a trade mark registration is held on trust for a claimant, such a claimant would be entitled to call for the title to the registration to be vested in him, which as it turned out was what occurred following the CA 172 Judgment (see also *Ennis v Lovell (The Swinging Blue Jeans Trade Mark)* [2014] RPC 32 at [22(4)]).

80 The question then is whether the Partnership can enforce its interest as the equitable owner of the 1st Singapore Mark under s 40(2) of the TMA, free of the rights that the Respondent say they obtained in respect of the use of that mark in their position as an exclusive licensee. We have noted above (at [68]) that in ordinary circumstances the holder of a contractual right may enforce it only against the party with whom he contracts. While this is true as a matter of general law, under the TMA, a licensee obtains a bundle of rights which pertain to the use of the mark and these rights are *capable* of binding all third parties who acquire the trade mark registration with notice of such rights; and because this bundle of rights may be registered (see s 39(2) of the TMA), notice may be deemed through registration (under both sub-ss 42(5) and (6) of the TMA). Thus, even though, as we have noted above, the rights conferred by a trade mark licence are personal rather than proprietary in nature, the effect of having a trade mark licence and, in particular, the extent to and circumstances in which the licensee can bind the owner of the trade mark to the grant of the licence, even when the owner was not the original grantor of the licence, depends on the provisions of the TMA. A straightforward example of this is s 42(5) which we have referred to already (even though we have also said that it does not govern the present contest). It is for this reason, among others, that the caution against freely importing concepts or principles derived from the context of land law is one that should be heeded. A licence in respect of land, which is personal in nature, will generally not bind a purchaser of land *even if that purchaser had notice of the licence*, though admittedly, this has limits: thus, a court of equity will not permit such a purchaser to deny the licensee his rights if his conscience had been so affected that it would be inequitable to allow him to do so and a constructive trust will be imposed to uphold the rights of the licensee (*Ashburn Anstalt v Arnold and another* [1989] 1 Ch 1 ("*Ashburn*") at 25–27).

81 Turning to the circumstances of the present contest, having regard to the statutory context and also the general principles of equity, we begin with the proposition that it is not *always or necessarily* the case that the interest of an equitable owner of a trade mark who seeks to perfect his title will trump the subsequent rights of a licensee of a trade mark whenever the former predates the latter. Whether it does so will depend on the facts of each case. To take an example at one end of the spectrum, if it were the case that the licensee obtained the licence with notice of the earlier equitable interest *and* that the beneficial owners were unaware of the grant of the licence that had occurred in breach of the trust, there can be no doubt that the equitable owner would be able to



enforce its equitable interest pursuant to s 40(2) of the TMA and no court of equity would regard the licensee in such circumstances as having any right as against the beneficiary that it would protect or uphold. In such circumstances, the licensee would be left with whatever rights it may have against the original grantor. At the other end of the spectrum, if it were the case that the beneficial owner of the mark was fully aware of, and even acquiesced in, the grant of the licence by the registered owner to a licensee, who was wholly ignorant of the existence of any interest than that of the registered owner, and the licensee then registered his interest and undertook significant investments in reliance upon the rights it acquired pursuant to the licence agreement, we find it inconceivable that a court of equity would, in such circumstances, allow the beneficial owner of the mark to enforce his rights under s 40(2) of the TMA free of the rights of the licensee. There are innumerable factual matrices that may involve the competition between a prior equitable interest and a subsequent licence between those two examples near either end of the spectrum and it would be impossible and undoubtedly unprofitable to attempt to provide an exhaustive pronouncement as to how each of these may be resolved. In the final analysis, each case will depend on an evaluation of each party's conduct and a comparison of their "equities" and this is inherent in the court considering whether and on what terms it will enforce the equity of a beneficial owner of a trade mark pursuant to s 40(2) of the TMA.

82 Hence, in our judgment, the present contest between the interest of the Partnership and the rights of the Respondent under the Licence Agreement resolves itself by a consideration of the competing equities at the relevant date. The relevant date, which we will examine in greater detail below, would be the date on which the Respondent acquired any rights under the Licence Agreement. As we note below, this would be the date on which the Licence Agreement became binding on Nine Squares, which usually, though not necessarily, would be the date on which it is entered into. Our task is to assess the equities on that date when Nine Squares became bound by the Licence Agreement, as between the Respondent on the one hand who acquired any rights under the Licence Agreement in relation to the registered trade mark on that date, and the Partnership which was then and had all along been the owner in equity of the registered trade mark.

83 To summarise this part of the discussion:

- (a) We have held that the rights under the Licence Agreement are contractual rather than proprietary in nature.
- (b) Insofar as the Respondent's contractual rights against Nine Squares are concerned, there is no issue before us and we proceed on the assumption for present purposes that there would be no impediment to those rights being enforced against Nine Squares by an action for damages.
- (c) But that is not what the Respondent seeks. It wishes instead (or in addition) to enforce its rights under the Licence Agreement against the Partnership, which was not privy to the Licence Agreement but which owned the trade mark in equity.
- (d) The Respondent cannot do so at law because the Partnership is not party to the License Agreement.
- (e) The Respondent, who obtained its rights under a licence that was granted in breach of the *earlier rights* of the Appellants as the equitable owners of the trade mark, cannot rely on s 42(5) to enforce its rights against the Appellants who subsequently perfect their title by becoming the registered proprietor.
- (f) Nevertheless, on the basis of our foregoing analysis, the Respondent may be able to

subject the prior equitable interest of the Partnership in the mark to its rights under the Licence Agreement if it can demonstrate that the equities weigh in its favour. As we have observed in the preceding paragraph, a critical factor will be whether the Respondent had notice of the Partnership's interest at the time it acquired its rights under the Licence Agreement, which is what we have referred to above as "the relevant date".

### ***The relevant date***

84 The parties are divided as to what the relevant date is for examining the equities between the parties. The Respondent contends that it is 29 June 2009, when the Licence Agreement was entered into between Nine Squares and Au. The Appellants say it is 9 July 2010, which was when the Deed of Settlement was concluded.

85 The Appellants' primary argument is that Au did not enter into the Licence Agreement on terms that bound Nine Squares on 29 June 2009 because Ellaway had no authority to enter into such an agreement on Nine Squares' behalf. The Appellants accept that Nine Squares did become bound by entering into the Deed of Settlement with Au more than a year later on 9 July 2010; and they contend that the equities therefore fall to be examined at that date. The first question therefore is whether the execution of the Licence Agreement in June 2009 was a legitimate and valid corporate act of Nine Squares and this, in turn, depends on whether Ellaway had actual (whether express or implied) or apparent authority to bind Nine Squares to the Licence Agreement.

86 The Respondent asserts that Ellaway had both actual and apparent authority since Ellaway was permitted to deal with third parties, and Ellaway had held himself out as the "Managing Director" of Nine Squares. Furthermore, Ellaway was a 50% shareholder of Nine Squares. The Respondent also argued that Ellaway had the "usual" authority of a managing director (as a type of implied actual or ostensible authority) to enter into the Licence Agreement.

87 We begin with the contention that Ellaway had express actual authority, as this can easily be disposed of. Ellaway was never expressly authorised (whether by way of a directors' resolution or otherwise) to cause Nine Squares to enter into the Licence Agreement. Moreover any authority that Ellaway might have had to contract on Nine Squares' behalf had been revoked or expressly curtailed by Chondros (who evidently called the shots in Nine Squares [\[note: 13\]](#)) by way of Chondros' email dated 24 June 2009 (see [23] above).

88 The Respondent then argues that Ellaway had the usual authority of a managing director, in the sense of an implied actual authority to unilaterally enter into the Licence Agreement. A managing director "has a broad authority (subject to the company's constitution) to make decisions for the company in the ordinary course of business": Peter Watts & F M B Reynolds, *Bowstead and Reynolds on Agency* (Sweet & Maxwell, 20th Ed, 2014) at para 3-027(4).

89 The Respondent also relies on the decision of this court in *SPP Ltd v Chew Beng Gim and another* [1993] 3 SLR(R) 17 ("*SPP Ltd*"), where a managing director who was allowed to run a company on his own was found to have been impliedly authorised to permit or approve the execution of certain guarantees. It should be noted that *SPP Ltd* does not stand for the proposition that *any* managing director would have the authority to act unilaterally in binding a company to contracts of whatever nature. Rather, based on the findings in that case, that the company had allowed the director in question to run the company in the way he did and had acquiesced in this, it was inferred that he had been impliedly authorised to enter into the contracts in question there.

90 There is no evidence that Ellaway was ever formally appointed the managing director of Nine

Squares [\[note: 14\]](#) and moreover this fact was denied by Chondros in the Australian Proceedings. [\[note: 15\]](#) At the trial before the Judge, Chondros attempted to change his position but when pressed, accepted that Ellaway had never been formally appointed as such. [\[note: 16\]](#) In *SPP Ltd*, the director was not only the managing director and chief executive but he had run the company very much as a "one man show" (at [24]) and was the "moving spirit" of the firm (at [7] and [19]). These facts bring the present case out of the ambit of *SPP Ltd*. Moreover, insofar as this argument stands on a form of actual authority that is implied by reason of the position occupied or the role played by the agent, there was no evidence to warrant a finding of such authority; and in any case, this was revoked as noted above (at [87]).

91 Ellaway was also not a "*de facto*" managing director in the sense contemplated in *Hely-Hutchinson v Brayhead Ltd and another* [1968] 1 QB 549 (which was cited with approval in *SPP Ltd* at [22]–[23]). There, the chairman of the company had caused the company to enter into certain undertakings without the knowledge of the board of directors. It was found that the chairman did not have the usual authority to enter into these contracts without the sanction of the board. However, Lord Denning MR found that the chairman was the *de facto* managing director in the sense that he was the chief executive who made the final decision on any matter concerning finance and often committed the company to contracts without the prior knowledge of the board (at 584–585). While Ellaway handled the administrative details of Nine Squares and did the paperwork, both Chondros and Ellaway were involved in the running of the business and in particular, the Judge described Chondros as "the creative mind and the person with the ideas about how Ku De Ta Bali should be run and how its business and that of Nine Squares should be developed" (the Suit 314 Judgment at [73]). Chondros was generally involved in discussions to expand Ku De Ta overseas. [\[note: 17\]](#) Indeed, it was Chondros – *not* Ellaway – who made the important calls on the major decisions. [\[note: 18\]](#)

92 In truth, Ellaway was a common director and in that capacity, he did not have the usual authority to enter into a major transaction such as the Licence Agreement. The general principle of company law is that directors act collectively, unless specifically authorised to act individually (see *SAL Industrial Leasing Ltd v Hydtrolmech Automation Services Pte Ltd and others* [1997] 3 SLR(R) 676 at [42] and *Falmac Limited v Cheng Ji Lai Charlie* [2013] SGHC 113 at [164]). The evidence does not show that the board of Nine Squares had at any time delegated the entirety of its management powers to Ellaway or even those with respect to the licensing of the "Ku De Ta" name.

93 The Respondent then relies on Ellaway's apparent authority to say that Nine Squares was bound by the Licence Agreement from the time it was entered into on 29 June 2009. Apparent authority is a species of estoppel. The doctrine in effect estops a principal from asserting that an agent acted without authority even though this is in fact the case. The basis of such an estoppel is a representation *by the company* that the agent does have that authority. As was emphasised by this court in *Skandinaviska Enskilda Banken AB (Publ), Singapore Branch v Asia Pacific Breweries (Singapore) Pte Ltd and another and another appeal* [2011] 3 SLR 540 ("*Skandinaviska*") at [38], "an agent who has no authority, whether actual or ostensible, to perform a certain act cannot confer upon himself authority to do that act by representing that he has such authority". Of course, such a representation does not necessarily have to be express. It can be made "by conduct in permitting the agent to act in the management and conduct of part of the business of the company" (*Freeman & Lockyer (a firm) v Buckhurst Park Properties (Mangal) Ltd and another* [1964] 2 QB 480 ("*Freeman*") at 506).

94 The Respondent was not able to point to any *express* representations as to Ellaway's authority to enter into the Licence Agreement from any person in Nine Squares besides Ellaway himself. However, it was said that Ellaway had acted on behalf of Nine Squares on various matters and held

himself out as the managing director and Chondros had never stopped him. This, it was suggested, amounted to a "general" representation as to Ellaway's authority to enter into a transaction like the Licence Agreement.

95 In this respect, there are some, at least superficial, similarities to the facts in *Freeman*. There, the plaintiffs had been engaged by one Kapoor to carry out works for the defendant company. Kapoor was a director of the company. He had not been appointed as the company's managing director and had no actual authority to do what he did. However, Kapoor acted throughout an extended period in dealings with the plaintiff as if he was the managing director of the defendant company and this was known to the latter's board of directors. On these facts, the English Court of Appeal found that Kapoor was clothed with apparent authority and so the defendant company was bound. In *Freeman*, Diplock LJ (as he then was) explained the nature of apparent authority (at 503) as follows:

An "apparent" or "ostensible" authority ... is a legal relationship between the principal and the contractor created by a representation, made by the principal to the contractor, intended to be and in fact acted upon by the contractor, that the agent has authority to enter on behalf of the principal into a contract of a kind within the scope of the "apparent" authority, so as to render the principal liable to perform any obligations imposed upon him by such contract. To the relationship so created the agent is a stranger. He need not be (although he generally is) aware of the existence of the representation but he must not purport to make the agreement as principal himself. The representation, when acted upon by the contractor by entering into a contract with the agent, operates as an estoppel, preventing the principal from asserting that he is not bound by the contract. It is irrelevant whether the agent had actual authority to enter into the contract.

96 In *Freeman*, the trial judge had found as a fact that Kapoor had instructed the plaintiff to do certain things on behalf of the defendant company (at 488). This was not challenged on appeal. Kapoor had dealt with the plaintiffs on behalf of the company (and with the knowledge of the board) throughout the autumn of 1959 in connection with the work that they did. Indeed, the trial judge had also found that the board had intended that Kapoor should do what he could to obtain the best price for the estate that the defendant company had purchased and intended to resell (at 500) and that the plaintiffs had been engaged to achieve precisely that end. Further, the trial judge also noted (at 501) that the board knew that Kapoor had been effectively acting as the managing director of the company in employing agents during the period in question.

97 The focus in *Freeman* was on what the agent, Kapoor, had been doing *with the permission of the principal*. As Diplock LJ noted (at 506), the doctrine of apparent authority is based upon an estoppel, and this requires a representation (even if not an express one) and reliance on that representation. Where the representation is constituted by conduct, that must consist of the principal "permitting the agent to act in some way in the conduct of the principal's business with other persons ... [so that it represents to] anyone who becomes aware that the agent is so acting that the agent has authority to enter on behalf of the principal into contracts with other persons of the kind which an agent so acting ... has usually 'actual' authority to enter into" (*Freeman* at 503–504). Furthermore, such a representation must have been made to or at least received by the party who then deals or continues to deal with the agent on the basis of that representation. Given the findings of fact made in *Freeman* that are set out in the preceding paragraph, there was no difficulty for the English Court of Appeal in that case to find that the requisite representation had been made.

98 The question of apparent authority is a question of mixed fact and law (as observed in *Freeman* at 489, *per* Wilmer LJ). It is thus important to analyse the facts to ascertain what exactly the alleged representation is. In the case before us, there is first a lack of evidence from the Respondent as to

exactly what conduct of Ellaway was carried on with the knowledge of the board of Nine Squares and relied on by Au when he entered into the Licence Agreement (except Ellaway's use of the title of managing director). It is true that Ellaway had signed off on contracts relating to the purchase of goods and services for Ku De Ta Bali, [\[note: 19\]](#) but these are contracts of a very different nature and of much lower value than the Licence Agreement. It thus follows that even if Au had known of these dealings on Ellaway's part, it did not warrant a conclusion that Chondros had given Ellaway free rein in dealing with assets like the Singapore Marks; nor would such a course of dealings have led Au to believe that Ellaway had the requisite authority to deal with the Singapore Marks. But this leads to a critical point. There had in fact hardly been *any* dealings between Au personally and Ellaway (or Nine Squares) prior to the entering into of the Licence Agreement. Indeed, it was Au's evidence that he only spoke to Ellaway twice before the Licence Agreement was concluded: first in March 2009 and, second, right before the execution of the Licence Agreement on 29 June 2009. [\[note: 20\]](#)

99 Au had left the negotiations to Patel, who was the person who introduced him to Ellaway. Patel had dealt with Nine Squares before. In 2007, Patel and Harry Apostolides ("Apostolides"), who were partners in Above + Beyond Holdings, had entered into discussions with Nine Squares to establish a potential outlet under the "Ku De Ta" name in Phuket (which ultimately did not materialise). Apostolides' evidence was that he and Patel had dealt mostly with Chondros at the beginning and that Chondros was very particular about the location. Apostolides also said that it was Chondros who led the creative process and guided the "Ku De Ta" brand identity, and that Chondros had informed them that Ellaway's role was financial, administrative and logistical in nature. [\[note: 21\]](#)

100 In early 2009, Patel and Apostolides (as well as one Robin Leigh) were involved in discussions to invest in Nine Squares, which again did not materialise. [\[note: 22\]](#) Both Ellaway and Chondros were involved, at least initially. For example, Ellaway stated that when Robin Leigh had prepared the letter of intent for the investment, both Ellaway and Chondros had provided the prospective investors with some information. [\[note: 23\]](#) Curiously, even though the negotiations for this intended investment and the Licence Agreement were occurring at about the same time, Apostolides claimed that Patel never told him that he was also talking to Ellaway about obtaining a licence to use the "Ku De Ta" name. [\[note: 24\]](#)

101 Given this backdrop, it would have been remarkable, from Patel's perspective, that Chondros was *completely uninvolved* in the negotiations over the Licence Agreement. Whatever Ellaway's purported title, it is not credible that Patel could have believed or did believe that Ellaway alone had the requisite authority and discretion in this matter when all of Patel's significant dealings with Nine Squares up to this point had been with, or at least had involved, Chondros. Indeed, it was Au's as well as Apostolides' evidence that Chondros was seen as the face of the "Ku De Ta" brand identity. [\[note: 25\]](#) On these facts, far from there having been a representation of Ellaway's authority, we consider it more probable than not that Patel and his associates were aware of Ellaway's *lack* of authority. The fact that Chondros was entirely absent from these discussions is explicable only on the basis that this was by design.

102 In our judgment, on the evidence, it is not possible to discern any representation whether by words or conduct, other than from Ellaway himself, which could have led Au and Patel to believe that Ellaway had the authority to enter into the Licence Agreement; or that Chondros, as the other director of Nine Squares, was aware of Ellaway's dealings with Au and Patel on this matter and permitted it to carry on. Moreover, as we have noted above (at [99]–[101]), Patel was aware that it was Chondros who controlled the creative aspects of the business, and there was no basis for him to think that Ellaway's authority extended so far that he could make unilateral decisions on branding and

expansion. It should also be noted that Patel was very familiar with Chondros, and had known him for a long time, according to Ellaway. [\[note: 26\]](#)

103 In our judgment, aside from the absence of any representation by Nine Squares of Ellaway's authority, Patel (and by extension Au) in fact *knew* of Ellaway's want of authority. This wholly negates any finding of apparent authority since any representation, even if made, would be overcome by actual knowledge of relevant facts or circumstances. It should be noted that this assessment has been complicated by the fact that no written correspondence between Au, Patel and Ellaway in the lead up to the execution of the Licence Agreement has been disclosed (except for *one* email from Ellaway to Au and Patel dated 29 June 2009 regarding some amendments to be made to the draft Licence Agreement). [\[note: 27\]](#) Au asserts that communications took place primarily by phone and that no emails were exchanged, even though Ellaway was based in Australia, Patel in Thailand and Au himself in Hong Kong. [\[note: 28\]](#) The complete absence of any documents seems implausible to say the least and if it is true, it seems suspicious and deliberate since there were other emails exchanged between them as well as with other parties.

104 Our conclusion that Patel and Au knew of Ellaway's want of authority to bind Nine Squares to the Licence Agreement is in any event evidenced by events and correspondence that occurred *after* the signing of the Licence Agreement.

105 Au maintains that he did not know of the dispute between the Nine Squares' directors, Chondros and Ellaway, until after the Licence Agreement was concluded, when Ellaway apparently rang Patel in July 2009 to tell him that he and Chondros "had some issue". [\[note: 29\]](#)

106 A series of emails exchanged between Au, Ellaway and Patel on 18 and 19 August 2009 is telling. These emails were initiated after Au was informed in express terms that the members of the Partnership took the view that Nine Squares had no ownership rights over the "Ku De Ta" name (see [28] above). (We digress to observe that the dispute between the Partnership and Nine Squares is a separate matter from that between Chondros and Ellaway and whether Ellaway acting on his own could effectively bind Nine Squares to the Licence Agreement; but we refer to the former at this stage in order to make a point about the latter). In one of these emails, Patel asked Ellaway about the state of the relationship between Chondros and Neale, and mused if they could "divide and conquer" them. [\[note: 30\]](#) After Ellaway said that Neale and Chondros were not on good terms, Patel wrote to Au as follows (grammatical errors in original):

Don't forget in [Ku De Ta Bali] [Chondros] owns 14%, in [Nine Squares] he owns 50%

The math speaks for itself. This guy neale talk could work to our advantage here with [Chondros]

A clandestine meeting with harry [Apostolides] as the smoother over person and [Au] you at your charming best could show [Chondros] *how much cash he stands to make by going along with us*, he doesn't need to deal with [Ellaway], that's sorted, he has income from licensing, and or some management fee

He has yearly paid for trips and creative input. He doesn't need to turn up for work, and that as long as he goes with this his ip is free from the clutches of his nemesis [Neale]

*If managed right this could work well for our gameplan. Then we show him road map to more via phuket etc. suddenly he will realise its in his best interests to support the [Nine Squares] claim to ip and everything.*

...

[emphasis added]

107 This email demonstrates plainly that Patel knew at this point that he and Au had to win Chondros over by showing him “how much cash he stands to make by going along with us”. This makes no sense whatsoever if Patel in fact thought and believed that Chondros had already approved the grant of the Licence Agreement and was bound by it. It is clear that at least by this time, and in fairness, Mr Low did not contend otherwise, both Au and Patel knew of Chondros’ lack of knowledge and the fact that Ellaway had acted unilaterally. What is significant is that there is not the slightest indication of surprise much less indignation that Ellaway had misled them or betrayed them into thinking otherwise. Yet the Respondent’s case is that at the time of the Licence Agreement, based on their dealings with Ellaway and Nine Squares, both Au and Patel believed that Ellaway was duly authorised to execute the Licence Agreement and that Chondros was on board with this deal. This, after all, is the representation on which their case on apparent authority rests. It is impossible to miss the conspiratorial tone in Patel’s email and its tenor is far more consistent with the premise that Au and Patel had been aware all along that Ellaway was acting on his own accord even though they may have thought that they would eventually be able to persuade Chondros to join them. From their perspective, it was just a matter of meeting Chondros’ price.

108 Au maintained at the trial that he was confident at all times that the Licence Agreement was valid and binding on Nine Squares since it had been entered into by the purported managing director of Nine Squares. But this is inconsistent with his subsequent actions. When Au met Chondros in September and November 2009, Au tried to persuade Chondros to grant him a licence of the 1st Singapore Mark and concealed the fact that Ellaway had already signed the Licence Agreement. [\[note: 31\]](#) This again is inexplicable if he actually thought that he already had an effective Licence Agreement. In a moment of truth, Au (who is a lawyer by training) explicitly said during cross-examination that one of his goals was to get Chondros to “ratify” the Licence Agreement, [\[note: 32\]](#) although he later sought to retract his use of the word. Au’s explanation was that such subtlety was preferable to presenting Chondros with a *fait accompli* or (in his words) a “forced marriage”. [\[note: 33\]](#) But this too cannot withstand scrutiny because under the terms of the Licence Agreement, Au and his associates would not really need to work with Chondros, *if the Licence Agreement was valid*. Truth be told, if that was the case, Chondros had little, if any, bargaining power over Au, whatever his rights might be against Ellaway. The deceptions and devices deployed by Au to perfect his rights under the Licence Agreement reveal a great deal about what Au really believed about the worth of that document and this is only explicable on the basis that he knew Ellaway was not able to bind Nine Squares and/or that there had been no representation to the contrary from Chondros or Nine Squares.

109 In the premises, we find in relation to the Licence Agreement that Ellaway:

- (a) did not have actual authority to enter into it as at 29 June 2009;
- (b) did not have usual authority to bind Nine Squares to it; and
- (c) did not have apparent authority to conclude the Licence Agreement because
  - (i) no such representation was made by Nine Squares; and
  - (ii) in any event, Au and Patel did not believe that Ellaway had such authority.



The upshot of Ellaway's lack of authority is that the Licence Agreement was not valid and binding on Nine Squares as of 29 June 2009.

### ***The equities at the relevant date***

110 By 9 July 2010, it is undisputed that Nine Squares had granted an exclusive licence to the Respondent pursuant to the Deed of Settlement (see above at [34]). The question then is how the equities of Au and the Respondent at that date measure up against those of the Appellants who were beneficiaries of the trust pursuant to which Nine Squares held the intellectual property rights in the Singapore Marks

111 To begin, we have no doubt whatsoever that neither Au nor the Respondent (through Au, who signed the Deed of Settlement on the Respondent's behalf) can be termed *bona fide* purchasers for value without notice by this date. The Respondent does not dispute (and could not possibly dispute) that Au was already aware of the Partnership's potential beneficial interest in the 1st Singapore Mark by 18 August 2009. [\[note: 34\]](#) As noted above (at [28]), that was when Tan emailed Au informing him about Neale's assertion as to the claim of the other members of the Partnership to the Overseas Marks including the Singapore Marks. In that email, Tan suggested that Au should talk to Chondros and Neale to obtain a fuller understanding of the situation. Au's reply was to say that he "will get to the bottom of true owner and game plan moving forward". [\[note: 35\]](#) (Indeed, Tay had reiterated on 19 August 2009 that he could introduce Au to Neale at any time as Neale was very friendly. [\[note: 36\]](#) )

112 Instead of immediately pursuing matters with Neale or Chondros, as noted above (at [28]), Au wrote to Ellaway instead. Patel was also copied in the email correspondence, which took place from 18 to 19 August 2009. This is the series of emails that we have just discussed at [106]–[107] above. Unsurprisingly, Ellaway's response was that Nine Squares owned the intellectual property rights to the Overseas Marks; Au, equally unsurprisingly, was not swayed. Revealing his legal training and a measure of prescience, Au expressed his concern that the owners of Ku De Ta Bali would claim that Nine Squares held the Overseas Marks on trust for them, "especially since it appears no consideration was given to KDT Bali". [\[note: 37\]](#) Au was also worried that Nine Squares' marks could be challenged on "common law grounds".

113 It is evident from the email chain that Patel and Au were already aware that even Chondros might take the position that Nine Squares did not own the beneficial interest in the 1st Singapore Mark. We have already discussed Patel's suggestion that they court Chondros so as to "divide and conquer" Chondros and Neale (see above at [106]). In the same vein, on 13 November 2009, Au told Tay not to go public with the plan to open the restaurant in MBS, saying he was "playing a *complex chess match* with Arthur Chondros and KDT Bali shareholders" (emphasis added). [\[note: 38\]](#)

114 It has to be said that not everyone was happy with Au's methods. Tay's discomfort was evident. For example, after Au informed Tay of the September 2009 meeting with Chondros, Tay responded: "not sure this is good enough? relying on him solely less the other partners of his in Ku De Ta Bali?" [\[note: 39\]](#)

115 Finally, and perhaps most importantly, Au could have been left in no doubt as to the position between Nine Squares and the Partnership after Chondros clearly stated in an affidavit dated 14 May 2010 in the Australian Proceedings that he *never intended for Nine Squares to be the beneficial owner of the Ku De Ta trade marks*. When Chondros subsequently settled the Australian Proceedings on behalf of Nine Squares with Au and the Respondent (Au had signed on the Respondent's behalf



[\[note: 40\]](#) (see above at [34])), it represented an abrupt (and inexplicable) *volte-face*. Au was unable to explain how he could possibly reconcile the express position taken by Chondros in the affidavit with the subsequent deal that was concluded.

116 A person is affected by constructive notice in commercial dealings with personal property “where the facts known to the purchaser make it imperative to seek an explanation, without which it is obvious that the transaction is probably improper” (see Jill E Martin, *Hanbury & Martin: Modern Equity* (Sweet & Maxwell, 19th Ed, 2012) at para 1-045). Mr Low repeatedly emphasised that the Trade Marks Register plays a very important role in the world of trade marks, and that third parties should be entitled to rely on it. This is true to a point, but as we have already explained, the TMA permits to a limited degree the recognition of unregistered interests and for the purposes of weighing the equities as contemplated in s 40(2) of the TMA, once a third party has been put on inquiry in respect of such interests by reason of his knowledge of suspicious circumstances, the onus is on him to make inquiries that are reasonable in the circumstances.

117 The Respondent says that such inquiries were indeed made. It argues that it was sufficient for Au to have: (a) sought clarification from Ellaway and to get Ellaway to provide a legal opinion on whether Nine Squares was the true owner of the 1st Singapore Mark; and (b) commenced the Australian Proceedings, which was then settled by Chondros. Taking the second point first, the initiation of the Australian Proceedings has little value from the Respondent’s perspective given Au’s inability to reconcile Chondros’ dramatic reversal of his position on the interest of the Partnership. Regarding his dealings with Ellaway, we would adopt the comments of Norris J (which admittedly were made in quite a different context) in *Magical Marking Ltd v Holly* [2009] ECC 10 at [56]:

... But if you have a doubt about representations that have been made to you and that doubt is not objectively and reasonably quelled by the circumstances, you do not ask the representor or his agents to quell the doubt. If you do, you are not making a genuine enquiry to discover the truth: you are simply seeking reassurance from the original source of the representation. ...

118 To summarise, we do not see how the Respondent’s inquiries could be said to be reasonable (or even genuine), when Au had been alerted that *both* the beneficiary *and* the trustee had expressed the view that the trustee did not own the beneficial interest in the Singapore Marks and was not entitled to deal with it freely. Not only did Au fail to make the necessary inquiries, he knowingly embarked on a course of action designed to undermine the Partnership’s position.

119 In our judgment, in the face of all of the foregoing evidence culminating in Chondros’ affidavit in the Australian Proceedings, by 9 July 2010, Au had constructive notice (at the very least) of the fact that the Partnership was (or at least had a serious claim to being) the beneficial owner of the 1st Singapore Mark.

120 Mr Low argues that the Appellants are not free of fault. They had allowed Nine Squares and Ellaway to hold out to third parties that the rights in question belonged to Nine Squares. The Appellants, he says, did nothing until they heard whispers that an outlet bearing the “Ku De Ta” name was opening at MBS. This, according to Mr Low, is the equity of the case. In our judgment, this wholly ignores the facts as to exactly what Au and his co-venturers did know when they concluded the deal with Nine Squares in 2010. Given that knowledge, they chose to take their chances and it is no answer to then blame the beneficiaries of trust property for not having acted sooner. It is appalling that Au, in the face of Chondros’ statement on oath that he held the Singapore Marks on trust for the Partnership, concluded an agreement with Chondros in an attempt to undercut the interest of those beneficiaries; and to then say the beneficiaries are to be blamed and penalised for not having done more seems brazen and certainly finds no favour with us.

121 Finally, the Respondent submits that Chondros' execution of the Deed of Settlement amounts to a ratification of the Licence Agreement by the *Appellants*. [\[note: 41\]](#) This argument is hopeless. Neither the Partnership nor Chondros in his personal capacity is a party to the Deed of Settlement. The document itself shows that Chondros had signed it in his stead as a director of *Nine Squares*, and there is simply no basis for saying that Nine Squares had actual or apparent authority to deal on the Partnership's behalf in this regard. Au and the Respondent were well aware that Nine Squares was contracting as a principal and not as an agent.

### ***Conclusion on whether or not the Licence Agreement binds the Partnership***

122 In the result, the Respondent cannot say that its rights as a licensee can be asserted against the Appellants. As a licence is a purely contractual instrument, the Licence Agreement does not bind the Partnership under the general law. However, when a beneficiary of an unregistered express trust in a registered trade mark enforces his equity in the mark under s 40(2) of the TMA, the question as to whether his rights are subject to the terms of a trade mark licence that was granted by the trustee in breach of the trust is one that will be determined by examining the equities between the parties (see [80]–[82]). Not only has the Respondent failed to establish that it has the better equity, it is patently clear that the Respondent is by some distance the more unmeritorious party. In our judgment, the Respondent's interest in the 1st Singapore Mark was acquired with, at the very least, constructive notice of the Partnership's beneficial interest. Finally, it also does not bind the Partnership pursuant to s 42(5) of the TMA, for the reasons we have already recounted (at [74]–[75] and [79]).

123 Accordingly, the Respondent's rights in these circumstances, if any, are against Nine Squares. That is a separate matter which is not before us and we say nothing more about it.

### **Whether an injunction ought to be granted**

124 Briefly summarised, the Appellants seek an injunction in the following terms: [\[note: 42\]](#)

- (a) That the Respondent be restrained from the use of the name / mark "Ku De Ta" or any similar name / mark, including changing the name of Ku De Ta Singapore;
- (b) That the Respondent ceases the use of the domain name "www.kudeta.com.sg" and transfers the registration of the domain to the Partnership; and
- (c) That the Respondent removes the "Ku De Ta" name from or secures the destruction or delivery up of material or articles containing the "Ku De Ta" name in the Respondent's possession.

125 The Appellants have two pleaded causes of action, in passing off and under s 55 of the TMA. It is on this basis that they seek the injunction.

126 However, in the light of CA 172, and after the transfer of the registration of the Singapore Marks to the Partnership has been completed, the Partnership will become the registered proprietor of the Singapore Marks, and will consequently be entitled to mount a claim under section 27 of the TMA and to seek relief under section 31 of the TMA, as against any person who uses the Singapore Marks without their consent. As the Respondent does not have any valid and enforceable licence as against the Partnership, the Respondent's continued use of the "Ku De Ta" name subsequent to the transfer of the legal title to the Partnership constitutes clear infringement of the 1st Singapore Mark, whether under ss 27(1) or (2) of the TMA, given that:

- (a) The Respondent is using a mark that is identical to the 1st Singapore Mark;
- (b) The mark is used for identical (or at the very least, similar) services for which the 1st Singapore Mark is registered (*ie*, restaurants, *etc*);
- (c) The Appellants did not consent to the Respondent's use of the "Ku De Ta" name; and
- (d) Even if the services are merely similar as opposed to identical (which would fall within the ambit of s 27(2) of the TMA), it is clear that the identity of the marks and the similarity of the services do give rise to a clear likelihood of confusion. This finding is bolstered by evidence of actual confusion, as the Appellants have adduced survey evidence showing that 71% of the respondents thought that Ku De Ta Bali and Ku De Ta Singapore are economically linked. [\[note: 43\]](#)

127 As the proprietor of the 1st Singapore Mark, it is within the Appellants' rights to pursue the Respondent for trade mark infringement and to obtain an injunction against them under s 31(2)(a) of the TMA. However, the Appellants did not plead a trade mark infringement action under ss 27 and 31 of the TMA. In the course of his oral submissions, Mr Low appeared to be prepared to not take up this issue as to the pleadings. However, he subsequently wrote to us to maintain his position that the Appellants cannot be entitled to relief pursuant to an action for infringement under to ss 27 and 31 of the TMA as this had not been pleaded.

128 The question is whether the Appellants should be deprived of a remedy under s 31(2)(a) of the TMA because of its failure to plead trade mark infringement. It should be noted that what makes this case unique is that when Suit 955 was filed, the Appellants *could not* have pleaded that cause of action. It is not disputed that the Partnership was not the proprietor of the 1st Singapore Mark at the time. The proprietor at the material time was Nine Squares. Section 2(1) of the TMA defines the "proprietor" as follows:

...

"proprietor" means —

(a) in relation to a registered trade mark, *the person in whose name the trade mark is registered*; or

(b) in relation to an unregistered trade mark that is a well known trade mark, the person to whom the trade mark belongs;

...

[emphasis added]

129 The point has arisen because the Appellants had mounted their claim at a time when there were many unresolved issues. Crucially, the true ownership of the Singapore Marks had yet to be decided. Of course, once the CA 172 Judgment was handed down, it was immediately apparent to the parties' counsel that the rights of the Partnership as proprietor and absolute owner of the Singapore Marks would come into play. This can be seen from the fact that the Appellants subsequently raised the issue of s 27 of the TMA [\[note: 44\]](#) and that the Respondent also raised s 42(5) of the TMA as a defence [\[note: 45\]](#) in their respective further written submissions.

130 Ultimately, a refusal to grant the Appellants the injunction sought would only give rise to fresh

litigation in which the Appellants would be bound to succeed. To deny the remedy now would only serve to delay it, at pointless expense. Further, for practical purposes, the same end could be achieved by making a declaration that the continued use of the "Ku De Ta" name by the Respondent would constitute an infringement of the Partnership's registered trade mark. In these unique circumstances, we do not think that the technical point of pleading should prevent us from granting the injunction sought. That said, we would not need to do so if the Respondent undertakes to the court that it will not use the "Ku De Ta" name.

131 As a result, it is not necessary for us to consider s 55 of the TMA, which, as noted by Lloyd LJ in *Hotel Cipriani Srl and others v Cipriani (Grosvenor Street) Ltd and others* [2010] Bus LR 1465 at [34] (in the context of s 56 of the UK 1994 Act), only arises in situations such as the present, if the registration of the relevant trade mark is lost in some way.

### **Damages and/or account of profits**

132 While damages and/or an account of profits is an available remedy for an action for infringement under sub-ss 31(2)(b) and (c) of the TMA, that does not arise here because, under s 39(4) of the TMA, the Appellants are not entitled to damages or an account of profits until they have applied for registration and this could only take place by virtue of our order in the CA 172 Judgment that the registrations in the Singapore Marks are to be transferred to the Partnership (see s 39(2) of the TMA). In any event, we do not think that it would be appropriate for us to make any such order since the Respondent did not have to meet that case at trial.

133 What remains is the Appellants' claim for damages and/or an account of profits for passing off. In order to succeed, the Appellants must prove the classic trinity of goodwill, misrepresentation and damage.

134 The main difficulty is in relation to the issue of goodwill. It has long been established that, to succeed in a passing off claim, a plaintiff must show that it has goodwill that is attached to a business in Singapore. However, the Partnership is a foreign business that has never traded or even conducted pre-trading activities in Singapore. We recently considered this issue in *Staywell Hospitality Group Pty Ltd v Starwood Hotels & Resorts Worldwide, Inc and another and another appeal* [2014] 1 SLR 911 ("*Staywell*"), and held that the "hard-line" approach to goodwill is the law in Singapore, as it has been for the last 40 years since *Star Industrial Co Ltd v Yap Kwee Kor* [1974-1976] SLR(R) 581 (*Staywell* at [130] and [135]). In brief, the "hard-line" approach means that a foreign trader who does not conduct any business activity in Singapore will generally not be able to maintain an action in passing off here. After reviewing the authorities in the UK, Australia and Hong Kong, we declined to soften the "hard-line" approach, although we indicated (at [161]) that we might be prepared to do so in some respects if and when the right case came before us.

135 This is a difficult and complicated issue with potentially wide ranging ramifications. In oral submissions, Mr Ang for the Appellants rightly conceded that the law as it stands does not admit of the Appellants' claim in passing-off. Mr Ang however suggested that this is the appropriate case to effect a change in the law. We disagree.

136 We choose to tread conservatively in this regard because, in truth, the Appellants have got their account of profits from Nine Squares; they have got the Singapore Marks back; and they have established that the Licence Agreement is not binding on them. In these circumstances, we do not think the stakes are sufficient to generate the intensity of arguments that would be called for were we to reconsider a hitherto settled position of law. Our view that a cautious approach is merited is reinforced by the recent decision of the UKSC in *Starbucks (HK) Limited and another v British Sky*

*Broadcasting Group PLC and others* [2015] UKSC 31, which dealt with the question of whether it was appropriate to soften the “hard-line” approach in England. After a careful and extensive survey of both English cases and the jurisprudence in other common law jurisdictions (including *Staywell*), Lord Neuberger of Abbotsbury PSC (who delivered the judgment of the court) *reaffirmed* the “hard-line” position (at [47]). In particular, he warned that the law of passing off involves a balancing exercise between the public interest in free competition and the protection of a trader against unfair competition by others, and that a court ought to be careful not to tip the balance too far in favour of a claimant (at [61] and [62]). We think the cautionary note sounded by Lord Neuberger is one that should be heeded and without the benefit of further argument on the issue, we do no more than repeat the stance and the direction that we had hinted at in *Staywell*.

## Conclusion

137 For these reasons, we allow the appeal. While the Appellants are entitled to enjoin the Respondent from any further use of the “Ku De Ta” mark, we will not grant an injunction if the Respondent undertakes to this court that it will not use the “Ku De Ta” mark or name. The Respondent is to confirm its position in this regard within two weeks of the date of this judgment. In the event the Respondent is not willing to furnish such an undertaking, we may wish to hear the parties on the scope of the injunction we should grant.

138 The Appellants are to have their costs of this appeal to be taxed if not agreed. There will be the usual consequential order for the payment out of the security.

139 The parties are to make submissions in writing within two weeks of the date of this judgment, as to the order to be made in relation to the costs of Suit 955, both as to the liability for and the quantum of such costs.

---

[\[note: 1\]](#) SCB 10 to 12 (Au’s AEIC, paras 8 to 11).

[\[note: 2\]](#) 2CB 255 (lines 14 to 22).

[\[note: 3\]](#) 2CB 8.

[\[note: 4\]](#) NE, 24 July 2012, p 154, lines 10 to 22.

[\[note: 5\]](#) 2CB 53.

[\[note: 6\]](#) 2CB 12.

[\[note: 7\]](#) 2CB 111.

[\[note: 8\]](#) 2CB 101; see also NE 18 July 2012 p 17

[\[note: 9\]](#) 2CB 23 to 24.

[\[note: 10\]](#) Au AEIC, para 51.

[\[note: 11\]](#) Au’s AEIC, p 324.

[\[note: 12\]](#) <<http://www.singaporelaw.sg/sglaw/laws-of-singapore/commercial-law/chapter-13>> (accessed 19 May 2015)

[\[note: 13\]](#) 2CB 231.

[\[note: 14\]](#) 2CB 239, lines 5 to 8.

[\[note: 15\]](#) Joint Record of Appeal ("JRA") vol V pt 25, pp 157 and 165.

[\[note: 16\]](#) 2CB 236.

[\[note: 17\]](#) Chondros' AEIC, paras 206 to 239.

[\[note: 18\]](#) 2CB 231; see also NE 24 July 2012 p 178 at lines 2 to 10.

[\[note: 19\]](#) Chondros' AEIC, para 146 (see also exhibit AC-78 at pp 1869 to 1908); Ellaway's AEIC, para 114 (see also exhibits DE-67 and DE-68 at pp 2599 to 2726).

[\[note: 20\]](#) NE, 14 Aug 2012, p 123 lines 5 to 10.

[\[note: 21\]](#) Apostolides' AEIC, paras 20 to 22.

[\[note: 22\]](#) Apostolides' AEIC, para 28 to 34.

[\[note: 23\]](#) NE, 31 July 2012, pp 37 to 40.

[\[note: 24\]](#) NE, 20 July 2012, p 134 line 2 to p 135 line 10.

[\[note: 25\]](#) Au's AEIC, para 53; Apostolides' AEIC, para 36.

[\[note: 26\]](#) NE, 31 July 2012, p 34.

[\[note: 27\]](#) NE, 31 July 2012, p 80; 14AB pp 5533.

[\[note: 28\]](#) NE, 14 Aug 2012, p 121 line 16 to p 123 line 25.

[\[note: 29\]](#) SCB 102 to 103.

[\[note: 30\]](#) 2CB 22.

[\[note: 31\]](#) 2CB 54 to 56 and 234.

[\[note: 32\]](#) 2CB 279.

[\[note: 33\]](#) NE, 15 Aug 2012, p 2 line 15.

[\[note: 34\]](#) Respondent's Skeletal Arguments dated 30 January 2015, para 17.

[\[note: 35\]](#) 2 CB 101.

[\[note: 36\]](#) JRA, vol IV pt 22 p 245.

[\[note: 37\]](#) 2 CB 20.

[\[note: 38\]](#) 2CB 140.

[\[note: 39\]](#) 2CB 103.

[\[note: 40\]](#) Au's AEIC, p 324.

[\[note: 41\]](#) Respondent's Skeletal Arguments dated 30 January 2015, para 23.

[\[note: 42\]](#) JRA vol 2 pt 2, pp 101 to 103.

[\[note: 43\]](#) 2CB 211 to 212.

[\[note: 44\]](#) 1<sup>st</sup> to 4<sup>th</sup> & 6<sup>th</sup> Appellants' Supplemental Skeletal Argument dated 30 Jan 2015, para 2.

[\[note: 45\]](#) Respondent's Skeletal Submissions dated 30 Jan 2015, para 4.

Copyright © Government of Singapore.